FINANCIAL TIMES

Policy fiascos
How to handle catastrophes
Page 14

Green reporting
How companies measure up
Environment, Page 9

Offshore moves
Hanoi sets a test for Beijing
Page 6

The Humber
Astride Europe's trade routes
Survey, Pages 10-11

World Business Newspaper WEDNESDAY APRIL 17 1996

Britain to take EU to court over ban on beef exports

The British government announced plans to challenge the European Union's worldwide ban on UK beef exports in the courts, as it unveiled measures worth over £900m ($1.36bn) to support the industry following the crisis over BSE. Page 16; Cut on the menu, Page 15

UK telecoms chiefs join merger talks: Top executives from British Telecommunications and Cable and Wireless have joined month-old talks which could lead to a merger between the companies. Page 17

G7 to reject world debt plan: The Group of Seven leading industrial countries is set to tell the World Bank and the International Monetary Fund their proposal to tackle the debt of the world's poorest countries places too mnch of the onus for action on individual governments. Page 4

French art collector fights export ban: The family of a French art collector fighting state controls on the export of historic paintings is considering taking the government to the European Court of Human Rights. Page 2

EBRD urged to aid Ukraine N-plants: The Group of Seven western industrial countries is pressing the European Bank for Reconstruction and Development to play a lead role in financing the $1bn completion of two nuclear reactors in Ukraine. Page 3

VA Tech income jumps 37%: Austrian plant engineering group VA Tech lifted net income 37 per cent last year from Sch979m to Sch1.34bn ($126m). Page 20

Kazakhstan to cut tariffs: Kazakhstan will *slash import* duties on *a wide range of products* from tomorrow, easing trade relations with the west bnt straining a fragile new customs union with Russia and other neighbours. Page 5

Music sales total nearly $40bn: The International Federation of the Phonographic Industry said global music market sales rose by 10 per cent to just under $40bn last year. Page 5

Chrysler, the smallest of the three big US car and truck makers, prodnced record first-quarter profits of more than $1bn after tax. Vehicle production rose 5 per cent to 753,176 and revenues jumped to $15bn, helped by the success of its biggest-selling vehicle, a minivan launched last year. Page 17

Overseas sales lift Philip Morris: The growing international popularity of American-style cigarettes helped Philip Morris, biggest US tobacco company, increase net income by 15 per cent to $1.6bn in the first quarter. Page 24; Lex, Page 16

Beijing rules confuse news groups: Foreign news agencies supplying economic information in China are confused about controversial regulations introduced by Beijing which are aimed at controlling their activities. Page 6

Eastman Kodak raised first-quarter net earnings by 5 per cent to $274m after unexpected strength in consumer products. The company also announced a $2bn stock buy-back programme. Page 24

Austria to allow Habsburgs' return: Austria scrapped a law ending nearly 80 years of exile for the Habsburg imperial family imposed in 1919 after the defeat of the Austro-Hungarian empire in the first world war. Two sons of the last emperor, Karl I, have lived in Brussels since he fled in 1918.

Ukrainian admits 40 murders: An 37-year-old unemployed man from Lvov, west Ukraine, has confessed to the murders of at least 40 people throughout the country, including eight families, most shot in their homes which were then razed by fire.

Duke and Duchess of York to divorce:

Prince Andrew, the second son of Britain's Queen Elizabeth II, and his wife Sarah are to divorce. The *Duke and Duchess of York (above)*, both 36, separated in 1992 after six years of marriage. They have two daughters, Princess Beatrice and Princess Eugenie.

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	5617.13	(+24.21)
NASDAQ Composite	1122.31	(+11.87)
Europe and Far East		
CAC40	2097.34	(+16.78)
DAX	2538.38	(-7.56)
FT-SE 100	3825.3	(+34.8)
Nikkei	21868.17	(-14.87)

■ US LUNCHTIME RATES	
Federal Funds	5⅛%
3-mth Treas Bills: Yld	4.937%
Long Bond	90⅛
Yield	6.769%

■ OTHER RATES		
UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	96⅜	(95⅞)
France: 10 yr OAT	105.02	(104.71)
Germany: 10 yr Bund	97.09	(96.68)
Japan: 10 yr JGB	97.916	(98.34)

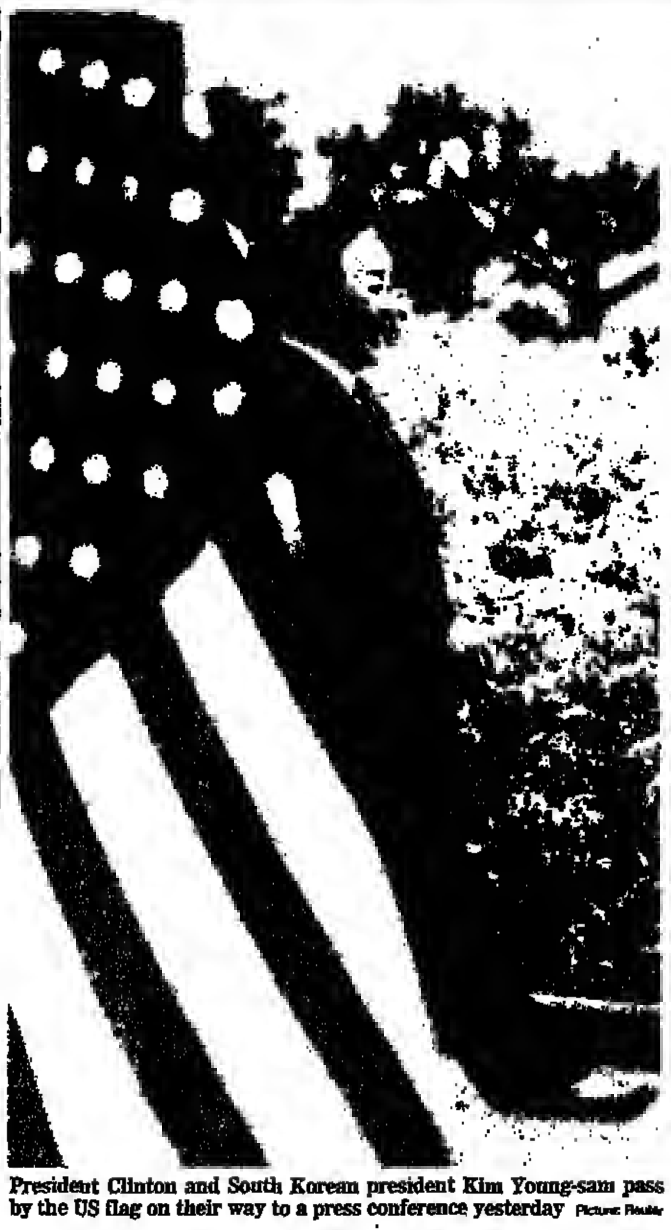
■ NORTH SEA OIL (Argus)		
Brent Dated	$21.13	(22.51)

■ GOLD		
New York Comex		
June	$393.5	(395.5)
London:		
close	$392.3	(393.0)

■ DOLLAR		
New York lunchtime		
£	1.51165	
DM	1.5062	
FFr	5.13	
SFr	1.23135	
Y	108.215	
London:		
£	1.5082	(1.5078)
DM	1.5096	(1.5104)
FFr	5.1245	(5.125)
SFr	1.2289	(1.2303)
Y	108.155	(108.375)

■ STERLING		
DM	2.2767	(2.2773)
Tokyo close:	Y 108.45	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00



President Clinton and South Korean president Kim Young-sam pass by the US flag on their way to a press conference yesterday Picture: Reuter

Washington, Seoul in call for Korean peace treaty talks

By John Burton in Cheju, South Korea

The US and South Korea yesterday proposed a conference with North Korea and China to negotiate a peace treaty ending the 1950-53 Korean war.

The proposal came nearly two weeks after North Korea declared it would *no longer observe* the 1953 armistice.

The North Korean action was seen as an attempt to press the US to conclude a peace treaty that would end Pyongyang's diplomatic isolation with the west as it seeks foreign aid.

Mr Bill Clinton, the US president, *said Washington* would not sign a separate peace treaty with North Korea as desired by Pyongyang.

"Establishing a peace is the responsibility of the Korean people, North and South. The US will support and facilitate the peace process," he said on the southern resort island of Cheju after meeting South Korean President Kim Young-sam.

North Korea, which was informed of the four-party proposal on Sunday, has not yet responded and Mr Clinton said he did not expect an immediate answer. "But I think it's important we put this offer out there, let it stand, and be patient," he added.

Analysts believe North Korea's demand for a separate peace pact with the US is meant to create a split in the defence alliance between Washington and Seoul and force the withdrawal of 37,000 US troops from South Korea.

China, which has criticised North Korea's efforts to nullify the armistice, has "responded with understanding" to the new proposal, US officials said.

North Korea and China signed the 1953 armistice with the US, which was acting on behalf of UN forces that fought against the communist powers. China's first public response to the proposal was neutral. "Being a signatory to the armistice agreement, China is willing to play its due constructive role," a foreign ministry spokesman said.

Editorial Comment ....Page 15

The proposed inclusion of China in the peace process is meant to put more pressure on North Korea to agree to the talks, since Beijing remains Pyongyang's closest ally.

Inclusion of China is seen as a gesture by Washington to repair its ties with Beijing following recent tensions over Taiwan. Mr Clinton has sought to quell South Korean suspicions that the US might have separate negotiations with North Korea while Pyongyang avoids official talks with Seoul. This had become a source of friction between the two allies.

A resumption of talks between North and South Korea would satisfy one of the key US conditions for establishing a liaison office in Pyongyang, which could provoke a dispute between Washington and Seoul.

US officials gave much of the credit for the peace initiative to South Korea, which proposed the idea in February.

They denied the four-party plan was the result of North Korea's recent intrusions into the demilitarised zone following its declaration that it would not obey the armistice.

In Moscow the Itar-Tass news agency reported Mr Song Sung Pil, North Korean ambassador to Russia, as saying of the proposal that his country needed no mediators to establish a new security system on the Korean peninsula.

The Clinton-Kim initiative was welcomed elsewhere in the region. Mr Ryutaro Hashimoto, the Japanese prime minister, said the four-way talks would be a "significant" initiative for peace.

UBS vote supports Studer to defy main investor

By Ian Rodger in Zurich

Shareholders of Union Bank of Switzerland yesterday rejected a call by the bank's largest shareholder to block the election of Mr Robert Studer, former chief executive, as its new chairman.

Mr Studer's win, with 62.7 per cent of the votes cast, was stronger than most analysts expected, but will probably not be enough to convince Mr Martin Ebner, maverick Zurich broker, to end his four-year campaign for better performance at UBS.

Mr Kurt Schiltknecht, Mr Ebner's closest associate, said after the meeting that his group was pleased to have attracted 11m of the 30m votes cast, given the large number of proxies that were held by the bank.

Mr Ebner also adopted a positive tone, saying he was impressed with the greater awareness of shareholder interests displayed by UBS leaders.

The result confirmed there was substantial dissatisfaction among shareholders about the bank's strategy and leadership.

Mr Studer said he was "very happy" that a majority of shareholders had shown confidence in him. He also said the board was "always ready to talk" to Mr Ebner although the fact that Mr Ebner has filed criminal charges against him meant the conditions were not as good as they might be. He said he hoped the bank could get back to normal working conditions so it could concentrate all its resources on running the business.

Until last week, most Zurich analysts believed the vote was too close to call. However, the revelation that CS Holding had proposed a merger with UBS altered the Swiss environment.

There was widespread alarm about job losses if such a merger occurred, and UBS directors won much support when they rejected the proposal last Thursday.

Several shareholders, including a number of UBS employees worried about the security of their jobs, praised the board at yesterday's meeting for preferring the path of independence and urged Mr Studer's election.

Votes do the talking, Page 18

Lebanon may reject US plan to end attacks

By David Gardner in Beirut and Julian Ozanne in Jerusalem

Lebanon yesterday appeared likely to reject a six-point ceasefire proposal drafted hy the US and Israel to end Israel's offensive against pro-Iranian Hizbollah guerrillas in Lebanon.

The air and artillery attacks have created thousands of refugees and damaged the Lebanese economy.

Mr Rafik al-Hariri, Lebanese prime minister, gave an initial negative response to the tentative proposals, saying "there is a difficulty accepting it in its current form".

Israel welcomed the proposal while intensifying its bombardment, firing rockets on Beirut for the fifth time in the six-day-old offensive. It also targeted a large Palestinian refugee camp south of the Lebanese capital.

The US-Israeli ceasefire plan was an attempt to rebuff independent efforts by France to arrange a deal in the region with the support of Syria, Lebanon and Iran. It drew heightened criticism of Israeli actions from Paris.

According to diplomats, the proposals call on Lebanon to guarantee the safety of Israeli residents in northern Israel and seek to end attacks by Hizbollah on Israeli soldiers who illegally occupy a large part of southern Lebanon.

It would also set in train the disarmament of Hizbollah guerrillas in return for an Israeli commitment to pull out of Lebanon.

Mr Shimon Peres, the Israeli prime minister, has said Israel would consider beginning a withdrawal from southern Lebanon if Beirut and Damascus could first guarantee a nine-month period of absolute peace. The draft agreement also calls for Syria to guarantee the ceasefire and establishes a new mechanism to *implement it*.

The US-Israeli draft goes far beyond a revival of the 1993 agreement that Syria, France and Lebanon have publicly endorsed in the past few days. It is also a

Continued on Page 16
Forcing Syria's hand, Page 4

RJR Nabisco repels raid by LeBow

By Richard Tomkins in New York

RJR Nabisco, the US tobacco and food group, yesterday emerged triumphant in its battle to fend off a corporate raid after Mr Bennett LeBow, the US financier who had been stalking the group, conceded defeat.

On the eve of RJR Nabisco's annual meeting today at which the struggle would have reached its climax, Mr LeBow acknowledged he did not have enough shareholder support to elect his alternative slate of directors to RJR Nabisco's board.

RJR Nabisco's victory in the acrimonious feud puts an end to Mr LeBow's plans to seize effective control of the company and force an immediate spin-off of its *Nabisco food business.*

However, Mr LeBow said he and his partner Mr Carl Icahn would retain their 5.8 per cent stake in RJR Nabisco and would continue to press for a spin-off of the food business.

The result also dashes Mr LeBow's hopes of engineering a merger between RJR Nabisco's tobacco business and Liggett, a poorly performing US tobacco company that Mr LeBow controls through Brooke Group, his investment vehicle.

RJR Nabisco did not want to comment until the final count had been taken, hut said it was "very pleased" at expressions of support from shareholders.

Mr LeBow approached *RJR* Nabisco nearly a year ago. After it rejected his overture, Mr LeBow launched a proxy fight in which he adopted the role of a shareholder rights activist.

To try to boost his chances, Mr LeBow also presented himself as a saviour of the tobacco industry by signing a controversial settlement with US anti-tobacco litigants. But the move backfired when the deal was seen as opening the way for a tidal wave of further litigation, causing a slump in tobacco stocks.

Yesterday Mr LeBow took credit for forcing RJR Nabisco to raise its dividend and launch a stock buy-back programme. He also claimed responsibility for prompting a debate about prospects for an industry-wide settlement over the litigation facing US tobacco companies.

He said: "It is now possible to speak rationally and constructively about a new economic model for the tobacco business – something we believe is essential, but was unspeakable within the industry just a few weeks ago."

Mr LeBow's defeat follows Chrysler's success in fending off a proxy fight launched hy Mr Kirk Kerkorian, another US corporate raider. But other struggles loom: some former associates of the corporate raider Mr Carl Icahn, for example, are pressing Woolworth, the US retailer, to spin off some of its operations.

Yeltsin keeps the red flag flying in pursuit of votes

By Chrystia Freeland in Moscow and Dmitry Volkov in Krasnodar

Russian president Boris Yeltsin yesterday hit the campaign trail with a platform heavily borrowed from his communist rivals including their flag.

The Russian leader signed a decree which restores the Soviet-era red flag as one of the official emblems of post-communist Russia. The red banner, with a five-pointed star in the corner but without the hammer and sickle, is expected to be displayed prominently on May 9, the day the Kremlin celebrates Russia's victory in the second world war.

On a trip to the agricultural belt of southern Russia, which strongly backed the communists in the December parliamentary ballot, Mr Yeltsin matched this symbolic reintroduction of the leftist banner with a raft of populist pledges.

His political spending spree included the sort of off-the-cuff *promise which has made a presi*dential visit an economic bonanza for the cities and villages lucky enough to be included on his campaign itinerary.

When a priest in the village of Novomishastovskaya asked the president for help to build a local church, Mr Yeltsin made an on the spot commitment to pay the entire cost of construction. "Your visit is God's gift," was the delighted cleric's reply.

The president also made a more substantial promise, signing a decree giving a Rbs26,000bn ($5.3bn) subsidy to farms this year and granting the countryside a 50 per cent reduction in commercial electricity rates.

But finance ministry officials insisted this pre-election largesse would not overwhelm the country's austere budget because the subsidies would be cancelled out by the agricultural sector's huge debts to the federal government.

Despite Mr Yeltsin's open-handed approach, he met a hostile reception from the impoverished people of southern Russia, once the country's breadbasket. The president was greeted by a jeering crowd when he stepped out of his limousine in Krasnodar, the biggest city in the region.

A crowd of workers chanted: "Put Yeltsin and his band on trial", and a second world war veteran urged Mr Yeltsin to drop out of the race because of his age and poor health.

But, notwithstanding his shift

Continued on Page 16
Kremlin race, Page 2

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

هكذا من الأصل

Brussels gets its teeth into a sticky problem

By Neil Buckley in Brussels

European commissioners will try today to agree a compromise on a directive that would allow chocolate to be called chocolate even when it contains vegetable fat, and force member states to lift barriers to the import of such products.

Debate over whether chocolate can be called chocolate only if made with pure cocoa butter has delayed agreement on the proposed directive for more than three and a half years. It has also held up a package of six other directives simplifying regulation on foodstuffs.

The debate has seen commissioners taking part in blind tasting sessions of chocolate, and there have been calls for chocolate containing vegetable fat to be renamed – "vegelate" was one, discarded, proposal.

Seven member states, including Britain, allow vegetable fat in chocolate products as a partial substitute for cocoa butter. In fact, the type of milk chocolate most popular in the UK contains vegetable fat. The other eight, including France, Belgium and Germany, say chocolate should not be called that unless it uses only cocoa butter.

Cocoa-producing countries such as Brazil, Ecuador, the Ivory Coast and Ghana, warn that allowing chocolate containing vegetable fat to circulate freely across the EU could reduce total cocoa demand by 60,000 tonnes in the short term, and 200,000 tonnes in the long term.

That could seriously damage Third World cocoa bean exporters, they say, and point to the clause in the European treaty which says the EU must take account of the effect of its policies on developing countries.

The latest compromise proposal from industry commissioner Mr Martin Bangemann, a lover of pure cocoa butter chocolate but keen to secure agreement on the issue, would allow the name chocolate to be used on all products containing up to 5 per cent vegetable fat.

Countries would not be forced to allow the manufacture of the fat-containing variety but would have to allow imports to be sold under single market rules.

But, under the compromise, chocolate containing vegetable fat would have to be clearly labelled as such, and dispute is expected to centre around the form of such labelling.

The Biscuit, Cake, Chocolate and Confectionery Alliance, a UK industry lobby group, says it could support such a compromise, but insists labelling should not be "derogatory".

"We believe a simple statement of vegetable fat in the ingredient list should be sufficient," said Mr John Newton, its director.

He said the alliance would oppose vigorously any requirement for the vegetable fat content to be labelled in the same sized lettering as the chocolate name.

The Cocoa Producing Countries Secretariat, representing the six main cocoa producers, is also prepared, reluctantly, to accept such a compromise. But it says the vegetable fat labelling must be prominent to prevent any confusion among consumers over what they are buying.

Even if the Commission agrees on a position today, the process could be lengthy. It must then vote on a draft directive for consideration by the European parliament – where the debate is expected to be noisy.

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More candidates stand in wings but small field favours Yeltsin

Four runners pass test for Kremlin race

By Chrystia Freeland in Moscow

Only four politicians were sure to see their names appear on the ballot paper for Russia's June 16 presidential election when the deadline for applications passed yesterday.

Another 11 contenders are waiting to see if their applications will be accepted and two have been rejected by the electoral commission on technical grounds. To be registered in the race, candidates must submit a petition to the electoral commission with more than 1m signatures of support collected throughout Russia.

The four who have been accepted include Mr Boris Yeltsin, the incumbent, Mr Gennady Zyuganov, the communist leader and the front-runner, Mr Mikhail Gorbachev, the former Soviet president, and Mr Vladimir Zhirinovsky, Russia's most outrageous ultra-nationalist.

The 11 other applications must be either accepted or rejected within the next 10 days. The electoral commission will check that the signatures are valid and freely given, and that they cover the required geographical spread. Mr Grigory Yavlinsky, the most popular liberal politician outside the government, Mr Alexander Lebed, a former general supported by more moderate nationalists, and Mr Sviatoslav Fyodorov, a prominent eye-surgeon are among the 11.

Yesterday's deadline appeared to stiffen the competition between those candidates who were strong enough to leap over the first hurdle in Russia's arduous presidential contest. Both Mr Yeltsin and Mr Zyuganov, his most serious rival, hit the campaign trail, venturing deep into Russia's impoverished provinces.

But while Mr Yeltsin made a series of populist promises borrowed from the Communist agenda, his leftwing challenger sought to assure voters that a Communist victory would not bring an end to market reforms. "Economic reforms are irreversible and if the Communists come to power they will be continued, but using other ways and means," Mr Zyuganov said in the Siberian city of Ufa.

A recent opinion poll suggests that Mr Yeltsin's shift to the left has won him new supporters, but he is still narrowly behind his Communist opponent. The survey, conducted this month by one of Russia's most prestigious polling organisations, shows that in a straight contest between the two, Mr Zyuganov would win 29 per cent of the vote, just one point ahead of Mr Yeltsin. A poll by the same organisation in January showed Mr Yeltsin with 19 per cent against Mr Zyuganov's 33 per cent.

But in an open field, Mr Zyuganov is still firmly in the lead. The Communist leader won the support of 26 per cent of respondents, Mr Yeltsin trailed with 18 per cent, and Mr Yavlinsky and Mr Lebed came third with 10 per cent each. Mr Zhirinovsky was next with 8 per cent.

This result suggests how crucially Russia's electoral procedures could influence the final result. A candidate can be elected president in the first round of voting only if he wins more than 50 per cent of total votes cast. If no one crosses that barrier, there is a run-off between the top two.

"No financing – No army" reads a banner flourished by civilian employees of Russia's defence ministry. They were protesting yesterday about not being paid for the past several months Reuter

EUROPEAN NEWS DIGEST

Norwegian oil strike cancelled

The Federation of Norwegian Oil Workers (OFS) yesterday postponed a strike by 2,500 workers, which was scheduled to have started last night and which would have halted around 75 per cent of the country's oil output.

The union said it would seek fresh talks with the Norwegian Industry Federation (NHO) and explained that the delay was "to give NHO a fair chance to re-evaluate its stance".

The stoppage had been called to support strikers, mainly scaffolding, paintwork and insulation workers, at oil service companies after the collapse of talks with the NHO over payments to partly land-based members.

The union said that if no agreement could be reached in the fresh talks, it would give 14 days' notice of further protest action, but any new action would "involve a broader spectrum of our members and would not affect production as much". *Reuter, Stavanger*

Bonn summit on spending cuts

The parties in Germany's governing coalition will decide the final shape of the package of spending cuts and social policy reforms to boost the nation's international competitiveness at a special meeting on April 25, according to Mr Michael Glos, the leader of the Christian Social Union in the Bundestag.

Speaking after talks between senior coalition politicians and Chancellor Helmut Kohl, Mr Glos said that talks so far had reached agreement on 80-90 per cent of the saving and restructuring measures to offset falling tax revenues and cut employers' non-wage labour costs.

Mr Glos said latest estimates pointed to a DM60bn ($40.2bn) shortfall in tax revenues next year, with the federal government's tax income likely to be DM25bn below earlier expectations and that of Germany's 16 states down by DM35bn. For this reason Mr Theo Waigel, the finance minister, was seeking spending cuts of DM50bn, of which DM25bn would be at the federal level. *Peter Norman, Bonn*

German inflation stays steady

Inflation in Germany moved up a tick in March as the year-on-year increase in the cost of living index advanced to 1.7 per cent from 1.6 per cent in February.

Prices were 0.1 per cent higher last month than in February, the federal statistics office reported yesterday.

The western German cost of living index stayed unchanged in March compared with February and the annual rate of inflation was also stable at 1.4 per cent.

In eastern Germany, the cost of living index rose 0.1 per cent between February and March while the annual rate of price increases rose to 2.7 per cent from 2.6 per cent. Eastern Germany's inflation is nearly double the western rate as a result of sharp rent increases. *Peter Norman, Bonn*

■ Swedish unemployment fell in March to 7.4 per cent of the workforce from 7.7 per cent in February. Consumer prices rose 0.5 per cent in March from February, bringing the year-on-year rise to 1.7 per cent.

■ Swiss producer prices fell in March by 0.2 per cent from February, while the import price index was unchanged.

■ Denmark had a January current account surplus of DKr6bn ($1bn) compared with a deficit of DKr3.5bn in December.

Markets put their money on Emu

Mood is growing that single currency will go ahead as planned, writes Richard Lapper

Doubts may still persist about the likelihood of European monetary union, but traders and investors in the continent's financial markets are increasingly convinced that European Union members will adopt a single currency as planned.

The mood in the markets is in sharp contrast to that of last December when fears about the ability of Germany and France to meet the Maastricht criteria gave rise to sharp swings in prices on bond and currency markets. The participation of both countries is judged essential for the feasibility of the Emu project in any form.

Over the past few months this uncertainty has given way to much greater stability as German and French currencies and interest rates appear to be converging.

French 10-year bonds are now yielding less than a fifth of a percentage point more than their German equivalents. Last October the gap – known in the markets as a "yield spread" – was as high as 1 percentage point.

France's currency, already moving within relatively narrow bands against the D-Mark, has also begun to appreciate. It reached its highest level against the D-Mark since June 1994 at the beginning of this month.

The price of options on the French money market futures contract, used by investors to hedge (or insure themselves) against changes in short-term interest rates, has begun to decline as volatility in the underlying price of the contract falls.

Last year's concerns revolved around the ability of potential Emu members to meet the Maastricht criteria: public sector debt below 60 per cent of gross domestic product; fiscal deficits of no more than 3 per cent of GDP; and inflation and long-term interest rates moving towards the lowest levels of any Emu member – all of this by the end of 1997.

In general, potential members are making progress on two of these fronts, with debt levels slowly falling to more manageable proportions and inflation and interest rates on a downward trend.

However, the economic slowdown in a number of countries has eroded tax revenues and made it less likely that they will be able to meet the tough fiscal targets.

Worries that first France and then Germany might be unable to meet this requirement have led some analysts to argue that the deadline for deciding which countries would be allowed to join Emu would have to be delayed beyond early 1998.

Within the past few weeks, however, an increasing number of observers have argued that the Commission may opt to interpret the Maastricht criteria more loosely and press ahead with the current deadline.

They suggest that pressures for a more flexible interpretation are growing partly because of developments within Germany. Although the Bundesbank appears firmly opposed to any relaxation of the criteria, Germany's government and much of its industry are coming round to the prospect, seeing it as a necessary price to pay to help weaken the D-Mark in order to improve exports and stimulate economic recovery.

Mr Nigel Richardson, head of bond research at Yamaichi International, tha Japanese securities house, says the criteria "have been viewed incorrectly by many as rigid mechanistic rules, when in fact they are designed for flexibility. The deficit criterion is flexible".

Quoting the treaty, he says: "A country must not exceed a deficit of 3 per cent of GDP (planned or actual) unless it has 'declined substantially' and 'comes close to' it, or the excess is 'only exceptional and temporary'," he said.

"Clearly there is nothing sacrosanct about 3 per cent of GDP."

Mr Paul Abberley, fund manager with the European investment house Lombard Odier, says: "There has been a realisation that the political momentum is so powerful that this will overwhelm any reservations on economic grounds. There has been a pronounced change in sentiment."

At the same time the odds have begun to increase that countries such as Spain and Italy, which are unlikely to join Emu from the start, may be linked closely to the single currency through a new exchange rate mechanism.

The agreement by EU ministers last weekend to create a new currency mechanism linking countries which fail to enter Emu with the euro (the name of the future single currency) has been seen as strengthening this prospect. This has reinforced the trend for 10-year bond yields to converge towards German levels. For example, Spanish spreads have fallen from 360 basis points since the start of the year to 289 basis points yesterday.

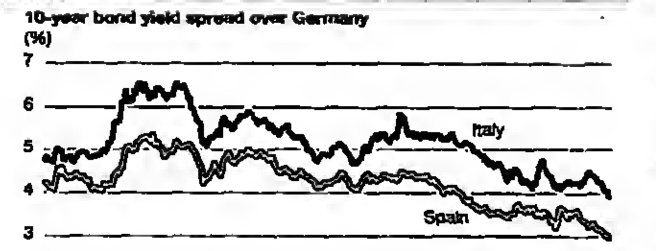
"Tha improving confidence in Emu is giving investors *carte blanche* to buy high-yielding bonds and peripheral currencies," says Mr David Brown, chief European economist at Bear Stearns, the US investment bank.

Bond dealers are already revising their forecasts in view of recent events. But there is also some grounds for caution. In 1994, European yield spreads narrowed to even lower levels before ballooning out after rises in US interest rates triggered a worldwide sell-off in bond markets.

Uncertainty about the list of countries that will eventually be incorporated in Emu could still lead to wild gyrations in the currency and bond markets over the next two years, particularly if European economic growth slows further.

"These markets are potentially volatile and players like hedge funds have a reason to increase this volatility," adds a senior bond atrategist at a European bank. "Things never go one way."

Convergence bets back on



Source: Datastream

Brakes slammed on new car sales in West Europe

By John Griffiths

The unexpected surge in western Europe's new car market which began in January lost much of its momentum last month.

Provisional statistics from the European Automobile Manufacturers Association (ACEA), released yesterday, show new car registrations in the region rose by 3.1 per cent year-on-year, well down on the year-on-year rises of 10.2 per cent in February and nearly 7 per cent in January.

"We aaid that we didn't expect much growth this year. The first two months seemed to indicate thera was a surge in growth which we thought was due to a number of special factors. It's now on its way down again," commented Mr James Rosenstein, Brussels-based ACEA's spokesman.

ACEA is sticking to its forecast that overall new car sales in the region this year will be only around 3 per cent higher than last year.

Registrations rose last month in 12 of the 17 markets monitored, but the sharp recovery previously seen in Germany – the region's largest single market by far – faded last month. The country'a 377,000 registrations represented only a 4.5 per cent increase over the same month last year.

Germany's Volkswagen retained its market leadership with 16.7 per cent of the 1,275,300 vehicles registered last month, with General Motors a distant second on 12.8 per cent.

Fiat and Ford tied for third place, with 11.9 per cent, in March, followed closely by Peugeot/Citroën with 11.8 per cent.

Europe's industry is becoming steadily more alarmed at the growing market incursion by Korean producers.

The latter's combined share jumped by 74.6 per cent year-on-year last month to reach a record 1.9 per cent of the total market.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-March 1996

	Volume (Units)	Volume Change(%)	Share (%) Jan-Mar 96	Share (%) Jan-Mar 95
TOTAL MARKET	3,494,600	+6.8	100.0	100.0
MANUFACTURERS:				
Volkswagen group	581,519	+11.0	16.6	16.0
– Volkswagen	386,509	+12.8	11.1	10.5
– Audi	99,927	+3.7	2.8	2.9
– Seat	77,296	+11.5	2.2	2.1
– Skoda	17,787	+12.8	0.5	0.5
General Motors	443,574	+3.8	12.7	13.1
– Opel/Vauxhall	426,788	+4.4	12.2	12.5
– Saab	14,239	-7.7	0.4	0.5
Fiat group*	440,145	+12.3	12.6	12.0
– Fiat	350,215	+13.5	10.0	9.4
– Lancia	48,842	-3.2	1.4	1.5
– Alfa Romeo	40,672	+24.8	1.2	1.0
PSA Peugeot Citroen	422,123	+5.0	12.1	12.3
– Peugeot	252,571	+6.3	7.2	7.3
– Citroen	169,552	+3.1	4.8	5.0
Ford group	418,214	+6.0	12.0	12.1
– Ford	414,316	+6.2	11.9	11.9
– Jaguar	3,898	-10.5	0.1	0.1
Renault	350,507	+1.5	10.0	10.6
BMW group	203,263	+1.1	5.8	6.1
BMW	100,995	-6.0	2.8	3.3
Rover	102,268	+9.3	2.9	2.9
Mercedes-Benz	122,033	+13.7	3.5	3.3
Volvo	46,205	-25.2	1.3	1.9
Nissan	97,007	+4.8	2.8	2.8
Toyota	82,155	-1.4	2.4	2.5
Honda	56,438	+10.7	1.6	1.6
Mazda	45,232	-8.2	1.3	1.5
Mitsubishi	38,934	+21.0	1.1	1.0
Total Japanese	364,868	+4.9	10.4	10.6
Total Korean	60,685	+85.2	1.7	1.0
MARKETS:				
Germany	919,300	+8.4	26.3	25.9
United Kingdom	531,000	+1.1	15.2	16.1
France	553,900	+12.2	15.9	15.1
Italy	537,200	+1.3	15.4	16.2
Spain	224,900	+7.6	6.4	6.4

*VW holds 70 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Van Gogh saga shakes French art market

By Andrew Jack in Paris

The family of an art collector fighting the French system of controls on the export of historic paintings is considering taking the government to the European Court of Human Rights.

The action would be the final twist in the family's long-running battle against the state which has already had repercussions in the country's art market.

It follows a definitive ruling by the final French court of appeal in February that the government must pay compensation to the collector after classifying a painting he held as a "national monument". This prevented its sale outside the country and considerably reduced its value.

The saga began in 1989 when the French state classified the Van Gogh painting "Jardin à Auvers", blocking a planned sale abroad. The decision caused considerable surprise, partly because the painting had been owned outside France for many years.

It belonged to Mr Jacques Walter, son-in-law of the late collector Paul Guillaume, who considered the decision particularly unjust given that it was one of only a handful of paintings he had kept for himself – more than 140 other important works had been donated to the state, and are now held in national museums.

The result of the classification was that when it was sold by auctioneer Maître Jean-Claude Binoche in Paris in 1992 to a French buyer, the painting raised just FFr55m ($11m), against an estimated price of FFr320m if it had been sold on the international market.

Mr Walter took the unprecedented step of suing the government to seek compensation for the difference, plus interest. "People are afraid of the state, but France is not a dictatorship and people who take it on win more often than they might think," says his son Jean-Jacques.

The French courts upheld an award in his favour but, on appeal by the state, the compensation was reduced from FFr422m to FFr145m, reducing the estimate of the painting's worth and eliminating the interest.

Mr Jean-Jacques Walter says he accepted the lower valuation – partly so that his father, who is now 88, could see justice done – but he says he will decide shortly whether to pursue the case in the European court to seek restoration of the interest payments.

Maître Binoche calls the decision a victory for all those who want to sell works of art. "The more you create regulations, the more thsy end up having the opposite effect to what was intended," he says.

French museums are smarting at the cost implications of the decision for future classification of national treasures. They are calling for ways of protecting them – such as a variant of the UK system, by which sale of an important work of art abroad cannot be forbidden but simply delayed to give time to find funding within the country to match its price.

Meanwhile, the saga of the Van Gogh painting may yet come full circle. The man who bought the work was Mr Jean-Marc Vernes, a banker. He died this month and his executors are discussing the possibility of donating the work to the French state, to offset some of his tax liabilities.

هكذا من الاصل

NEWS: EUROPE

G7 presses EBRD on Ukraine N-plants

By Kevin Done, East Europe Correspondent, in Sofia

The European Bank for Reconstruction and Development is coming under strong pressure from the Group of Seven western industrial countries to play a lead role in financing the $1bn completion of two nuclear reactors in Ukraine.

The project is expected to feature prominently on the agenda of the nuclear summit in Moscow later this week between the G7, Russia and Ukraine, which will address issues of nuclear safety, nuclear weapons and illegal trade in nuclear materials.

The involvement of the EBRD again in the controversial issue of the financing of nuclear power stations in eastern Europe triggered protests from environmental groups at the bank's annual meeting yesterday.

The protest followed in the wake of Monday's unanimous decision by the bank's shareholder governments to support a doubling in the EBRD's capital base to Ecu20bn ($25bn) to allow it to accelerate lending to the region during the late 1990s. The EBRD is being forced reluctantly back into the nuclear debate, as anxiety grows in the west about the continuing operation of two of the four reactors at Chernobyl in the Ukraine; this month sees the tenth anniversary of the disaster at the site.

Ukraine's insistence on the completion of two other reactors, Khmelnitsky 2 and Rovno 4, was part of the price it exacted for agreeing to the closure of the Chernobyl reactors in a memorandum of understanding it reached with the G7 in December.

The EBRD – which earlier faced a storm of protest over its planned involvement in financing the completion of two nuclear reactors at Mochovce in Slovakia close to the Austrian border – is currently wrestling with the problem of how to respond to the G7 request to become involved in Ukraine.

The EBRD was forced to abandon the controversial Mochovce project last year, when Slovakia refused its tough terms and conditions and chose an alternative scheme with Czech and Russian financing. The Mochovce experience has made it circumspect, but it clearly feels in no position to refuse the request from its leading shareholders in the G7, which have told it that they "expect" its "active engagement in securing" the financing of the completion of the two nuclear reactors in Ukraine.

The G7 letter to the EBRD said this should be done according to "internationally accepted safety standards" and as part of a "least-cost" solution to the future development of Ukraine's energy sector.

Environmental groups argue that this development should centre on energy efficiency measures – Ukraine is one of the world's least efficient users of energy – and on thermal and hydro power stations.

The EBRD now faces the thorny problem of how to commission an "independent" study of the "least-cost" option that will be acceptable to environmental lobby groups as an independent report.

Its due diligence investigation is expected to take several months and is likely to trigger fierce controversy in the EBRD board, where several shareholder governments are sceptical about the bank deepening its engagement in the nuclear industry.

Turkish PM in pledge to Azeris as Russians hand over alleged coup leader

Moscow vies with Ankara in Caspian intrigue

By John Barham in Ankara and Bruce Clark in London

The government of Azerbaijan, an oil-rich republic where outside powers are vying furiously for influence, has this week won a fresh promise of diplomatic and military support from Turkey, and a significant concession from Moscow – the arrest of two wanted politicians.

The latest overtures by Turkey, which has close cultural and linguistic ties with Azerbaijan, came from Mr Mesut Yilmaz, the prime minister, who underlined Ankara's intense interest by making Baku his first foreign visit since taking office.

Mr Yilmaz assured Azeri President Heydar Aliyev, a former Soviet Politburo member, of Ankara's strong support for the "just cause" of restoring the territorial integrity of Azerbaijan, one-fifth of whose land is controlled by Armenian forces. The Turkish leader said his country was ready to provide "all kinds of assistance" to help improve Azerbaijan's army.

Mr Yilmaz underlined Turkey's willingness to deploy peacekeeping forces in the Armenian-Azeri war zone – but apparently failed to persuade Mr Aliyev to endorse unconditionally a formula for resolving the bitter territorial dispute by peaceful means.

Turkish businessmen have called recently for an acceleration of peace efforts in the region, noting that one of the most promising routes for a proposed pipeline from the Caspian Sea to Ceyhan in southern Turkey would run through the conflict zone.

Turkish prime minister Mesut Yilmaz underlined Ankara's intentions by making Baku his first foreign port of call

Former Azeri defence minister Ragim Gaziyev addressing the crowds before he was forced to flee Azerbaijan for Moscow

Russia, for its part, has made an even more dramatic attempt to woo Mr Aliyev by announcing the arrest of two of his political adversaries who had hitherto enjoyed asylum in Moscow: ex-President Ayaz Mutalibov and the former defence minister, Mr Ragim Gaziyev.

While Mr Gaziyev has already been transferred to Azeri custody, and may face the death penalty for treason, the fate of Mr Mutalibov was uncertain as he underwent treatment yesterday in a Moscow hospital.

Azerbaijani officials accuse him of organising mass disorder, a coup attempt, and complicity in the deployment of Soviet troops in Baku in January 1990.

As defence minister, Mr Gaziyev oversaw Baku's effort to wipe out the Armenian community in the disputed Nagorno-Karabakh region through rocket attacks and and aerial bombing – but he lost influence after the campaign failed, and hundreds of thousands of Azeris were forced to flee.

Mr Gaziyev escaped from an Azerbaijani prison in September 1994 and was sentenced to death *in absentia*. He is also accused of taking part in failed coup attempts against President Aliyev in October 1994 and March 1995.

Several former top officials accused of plotting or supporting coups are already awaiting trial. In particular, many are accused of helping former prime minister Surat Huseinov when he briefly seized power in several parts of Azerbaijan in October 1994. Last month, a former agriculture minister and a former police officer were sentenced to death on coup charges.

In a hint that intensive Russian-Azeri bargaining was underway over Mr Mutalibov and possibly other issues, officials in Moscow said they would "study the legal position" before extraditing Mr Mutalibov, who is blamed by Mr Aliyev for masterminding the October 1994 coup attempt.

Mr Aliyev has kept all countries guessing about his strategic intentions since taking power from a strongly pro-Turkish regime in 1993.

In recent weeks, Azeri officials have hinted that they might rethink their refusal to host Russian military bases if Moscow were to soften its support for the Armenians and help the Baku government secure control of the whole republic.

Russia is pressing Azerbaijan both for a closer strategic relationship – in the hope of cutting off the supply of weapons to rebels in Chechnya – and for closer co-operation over the extraction and transport of oil in the Caspian Sea.

The Turkish leader said his country was ready to give 'all kinds of assistance'. Russia, for its part, has made an even more dramatic attempt to woo President Aliyev

De Larosière calls for focus on developing east's private sector

By Kevin Done

Mr Jacques de Larosière, president of the European Bank for Reconstruction and Development, said yesterday that the bank would increase its focus on the development of the private sector in central and east Europe.

This further replaces the emphasis in its early years on the utility and infrastructure projects involving the then pervasive public sector.

At the same time the bank will seek to diversify eastwards and increase its local presence by opening offices in Baku, Azerbaijan, in the Croatian capital Zagreb, and in Chisinau, Moldova. The focus on the private sector would include a particular emphasis on small and medium-sized enterprises and a strong role in equity financing.

Shareholder governments at the EBRD annual meeting in the Bulgarian capital, Sofia, have also urged still greater emphasis on the development of the financial sector in central and east Europe.

Another shift would see more advanced countries receiving advice on areas such as the development of domestic capital markets instead of financial aid.

"From our shareholders in the countries of operations, we look for firm commitment to macroeconomic stability and continued strengthening and deepening of the reform process," he added.

Mr de Larosière said the EBRD planned to:

- Take further equity stakes in banks in the region;
- Offer credit lines for financing small companies via local banks;
- Facilitate trade and investment finance; and
- Participate in private equity funds, including newly emerging areas such as mutual and pension funds.

The bank's future priorities would also include participating in funds to invest in newly privatised companies and industries being restructured, where profit-driven investors might still be wary. "Even in the most advanced countries this task of restructuring (privatised enterprises) is still in its early stages," said Mr de Larosière.

Next year's annual meeting of the EBRD will be in London, where it is headquartered, but Mr de Larosière said that it had still not been decided whether the 1998 meeting would be in Kiev, Ukraine or in the Latvian capital, Riga.

Mr Ruairi Quinn, the Irish finance minister, was yesterday elected chairman of the EBRD's board of governors in succession to Mr Lamberto Dini, Italian prime minister.

Greeks stockpile feta for world domination

For Mr Yannis Toyas, whose goats browse a prickly mountainside on the island of Evia, the European Commission's decision last month to make feta cheese an exclusively Greek product was long overdne.

"Sheep and goat raising is such a precarious business that only my parents' generation are still doing it full-time," he says. "Bnt if there's a higger market for feta, I'll be one of the first to expand."

Mr Toyas, a hospital cook, makes feta at home and sells surplus milk to the local cheese factory. His flock of 40 goats is typical of small farmers who supply more than 800 commercial producers of feta around Greece.

The EU ruling that feta is a Greek sheep milk cheese containing e small amount of goat milk will open np new export opportunities for Greek prodncers. At present, Denmark is the Union's main exporter, selling more than 60,000 tonnes yearly of artificially whitened cheese made from cow milk as feta, mainly to the Middle East.

Greece prodnces abont 145,000 tonnes of feta yearly, but exports less than 12,000 tonnes, most of which is consumed by expatriate Greeks in Germany, the US and Australia. The Greeks have a larger appetite for cheese than other Europeans, with per capita consumption of around 24kg yearly. Though feta is still the most popular cheese, imports of cheese made from cow milk amount to more than 70,000 tonnes yearly.

Greek hotels and catering companies import about 8,000 tonnes yearly of the cheaper Danish version of feta, which is served to foreign tourists "partly because they won't know the difference from Greek feta and partly because some people find the sharp taste of goat's milk hard to get used to," says Mr Emmanuel Afyntakis of the Greek dairy board.

However, when the EU ruling comes into effect in five years, Greece's feta producers will feel more confident about exporting, Mr Afyntakis says. The industry is being transformed by a gronp of large Greek dairy companies which have started to make standardised feta at antomated plants.

Mr Yannis Karambalis, managing director of Epirus, e new prodncer of standardised feta which this year plans to export half its 6,000-tonne output, says: "The EU's decision is our chance to put anthentic feta on the map. It costs more to produce than the cow's milk imitation but there's a big difference in quality." Like other larger prodncers, Epirus has tried to upgrade milk quality by setting up a network of collection stations to serve remote villages and providing suppliers with milk coolers and free veterinary services.

'The sheep population here has doubled in five years and there would be a lot more if you could find shepherds to look after them'

The big dairy companies are expected to drive out of business several hundred small cheese-makers, who produce less than 50 tonnes of feta yearly in primitive conditions, often using unpasteurised milk.

Output of feta has risen by 25 per cent since the dairy companies entered the market in the early 1990s. Increasing demand for milk encouraged more Greeks living in mountainous areas to take advantage of EU subsidies for raising sheep and goats. In contrast to cow's milk, there are no EU ceilings for the production of sheep and goat milk in Greece.

Mr Giorgos Kostas, who sells cheese and yoghurt in Karystos, a small town in Evia, says: "The sheep population round here has doubled in the past five years and there would be a lot more if yon could find shepherds to look after them. As it is, every civil servant keeps a dozen sheep in his back garden."

Prodncer prices for eheep and goat milk soared last year when Fage, Greece's higgest dairy company, started making feta. According to Mr Ioannis Granitsas, Fage's deputy manager, the company paid a premium for high-quality milk as well as buying large quantities of milk in areas such as Evia which are closer to its Athens plant than traditional sheep-raising districts in north-western Greece.

However, milk prices have dropped by more than 20 per cent this spring. Although small feta producers competing with Fage and other dairy companies cut prices drastically over the winter, more than 20,000 tonnes of feta produced last year is still unsold.

Large quantities of white cheese smuggled from Bulgaria and Turkey are being sold as Greek produce, according to agriculture ministry officials.

The officials say cootrols are difficult to enforce because Greeks still prefer to buy feta in chunks pulled out of large brine-filled tins. While sales of vacuum-packed feta are increasing, they still account for less than 5 per cent of the Greek cheese market.

Small and medinm-sized cheesemakers have angered milk producers by cutting prodnction thie year. The feta plant ontside Karystos, run by the Evia farm co-operative association, has halved output because because 70 tonnes of last year's cheese is still unsold.

Mr Antonis Karavilas, the plant manager, says: "Every cheese plant on the island has a refrigerator full of feta. We need to start boosting exports now, not in five years."

Kerin Hope

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NEWS: INTERNATIONAL

G7 'cool' on debt relief proposal

By Robert Chote, Economics Editor, in Washington

The Group of Seven leading industrial countries are set to tell the World Bank and the International Monetary Fund this weekend that their joint proposal to tackle the debt of the world's poorest countries places too much of the onus for action on individual creditor governments.

The IMF and World Bank have proposed a scheme under which creditor governments in the Paris Club would reduce the value of debt and service payments owed to them by eligible countries by 90 per cent, compared to the 67 per cent in theory available already under the so-called Naples terms.

The international institutions would then in turn ease the burden of the debts owed to them so that total debt and service payments were reduced to a sustainable level.

But some G7 countries are concerned that this proposal forces the Paris Club to do most of the hard work first, while the institutions have only to come in afterwards to deal with any residual "unsustainable" debt.

The Fund and Bank estimate that $7bn-$8bn of debt relief would be needed if about 20 poor countries were deemed eligible for their scheme – and that the institutions should only have to find a third of this total.

G7 finance ministers and central bank governors will meet to discuss this topic, among others, at the IMF and World Bank spring meetings in Washington on Sunday. G7 officials met in Paris yesterday to try to hammer out a joint position.

The group is expected to agree that the Paris Club should do more to help poor countries under the new initiative than they do at present.

But it is also likely to argue that the IMF, World Bank and the multilateral development banks should play a more central role than they would do under the current proposals.

Peres seeks to force Syria's hand

By Julian Ozanne in Jerusalem

As Israel considers the end-game of its devastating six-day aerial and artillery bombardment of Lebanon, the government appears determined to force Syria into a much more active role in guaranteeing the security of Israel's northern border at the expense of Lebanese sovereignty.

Mr Shimon Peres, Israeli prime minister, has refused publicly to declare the political objectives of "Operation Grapes of Wrath", but clearly wants a much more formal arrangement than the US-brokered July 1993 verbal ceasefire which brought to an end Israel's last Lebanese offensive. The agreement barred attacks on civilian targets on both sides of the Israeli-Lebanese border.

More formal Syrian guarantees to rein in pro-Iranian Hizbollah guerrillas would incrementally meet Israel's security demands and allow Mr Peres, facing e general election in six weeks, to show the Israeli public he had achieved a tougher agreement than that negotiated by former prime minister Yitzhak Rabin.

With each day of bombardment, Mr Peres looks more and more like the hardline leader Israelis crave in uncertain times.

Although there has been some Israeli concern raised by the killing of civilians in Lebanon, there is overwhelming public support for his tactics.

By exposing the risks of violence and instability in the vacuum of failed Israeli-Syrian peace talks, the campaign might also draw Damascus back towards the negotiations.

The long-term goal of Israeli military pressure remains to force Syria, the most powerful external broker in Lebanon where it has 35,000 troops, to disarm the Hizbollah militia. Only when Hizbollah is disarmed and prevented from sending rockets into northern Israel, Mr Peres says, will Israel consider beginning negotiating a withdrawal from the Lebanese territory it has occupied for 18 years.

But such a move, at least in the short term, is politically unacceptable to Lebanon, Syria and Iran. So long as Israel continues illegally to occupy e large part of southern Lebanon, in defiance of United Nations resolutions, Hizbollah can continue to present itself as a legitimate freedom movement struggling against foreign occupation.

Any move to disarm Hizbollah ahead of Israeli withdrawal could throw Lebanon into renewed civil war. It would also deprive Damascus of its military leverage on Israel and Iran. So long as Israel continues ... would meet fierce resistance from Tehran, which maintains a strategic alliance with Syria.

Mr Peres knows any effort towards disarming Hizbollah, as proposed by Lebanon during the last Israeli offensive, will be opposed by Syria and Iran. But he believes it is possible this time to draw Syria into a much more formal agreement under which Damascus would take greater responsibility for preventing action against Israel's northern border.

The effort to draw Syria into a more formal agreement is behind Mr Peres' rejection of calls by France, Lebanon and Syria to revive the 1993 ceasefire understandings and is the subject of draft papers prepared by the US and presented to Lebanon yesterday.

Israeli troops yesterday paused during their shelling of Lebanon for a memorial service to mark Holocaust Day, remembering the six million Jewish victims of Nazi Germany Reuter

France's Mideast initiative rebuffed

By David Buchan in Paris

France's bid to forge an independent role in Middle East peacemaking was rebuffed yesterday as Israel steadfastly rejected ceasefire proposals by Mr Hervé de Charette, the French foreign minister, and turned instead to its old ally, the US.

Israel politely received Mr de Charette on Monday but made clear that it preferred to allow Washington to broker a stronger security agreement than that proposed by Mr de Charette.

Israel also said it was unwilling to cede the ceasefire initiative to France or to Europe which are seen as sympathetic to Lebanon and Syria.

The Israeli rebuff, and US opposition to United Nations condemnation of the six-day blitz, drew fire from Syria which accused the US of having surrendered its honest broker role in the region.

As Mr de Charette appeared set to return to Paris without success, French officials started to play down his mission as an "information trip" and issued a stronger condemnation of Israel.

Mr Alain Juppé, the French prime minister, said Israel's bombing of civilian targets in Lebanon was "unacceptable", in particular the destruction of two power generators in Beirut, though he went on to say that "the concern of the Israeli government to protect its population, is legitimate".

The hostilities between Israel and the Hizbollah guerrillas in southern Lebanon have provided an awkwardly tough and early test of President Jacques Chirac's new Middle East policy. Less than two weeks ago, the French leader was in the region to proclaim his desire for France, and Europe, to play a more political role in the Middle East.

In the wake of his trip to Lebanon, and of last weekend's dash to Paris by his close friend, Mr Rafik Hariri, the Lebanese prime minister, Mr Chirac felt impelled to take quick action in dispatching Mr de Charette to Jerusalem on Monday and to Damascus and Beirut yesterday.

The de Charette mission is also a test of the usefulness of maintaining links with Iran, which along with Syria has been urged by France to exercise a moderating influence on Hizbollah. At French insistence, the EU had adopted what it calls a "critical dialogue" with Iran, in contrast to the US which has cut off contacts with Tehran.

"If Iran shows itself to have some influence with Hizbollah, then this will be an additional argument for our 'critical dialogue'", a French official said yesterday. This week Mr de Charette telephoned his Iranian opposite number, Mr Ali Akbar Velayati, who yesterday sent his deputy to Damascus.

The new Israel-Lebanon crisis comes in the wake of an increase in the French economic role in Lebanon, where France has kept several hundred peacekeepers since 1978. Bnt French diplomacy seems aimed mainly at recreating the 1993 Israel-Hizbollah understanding not to target each other's civilians, a tacit agreement which Iran and Syria helped to achieve and which both Tehran and Damascus now endorse.

Israel's public rejection of a return to the 1993 status quo risks forcing Mr de Charette to return to Paris empty-handed.

Minister jets off on mission to bolster rand

By Roger Matthews in Johannesburg

The South African rand again hit record lows against a strengthening dollar yesterday, as Mr Trevor Manuel, the new finance minister, left for a five-city international tour during which his policies and personality will come under close scrutiny.

The rand slipped another three cents against the dollar yesterday to touch R4.25, a fall of nearly 14 per cent since the middle of February when ill-founded rumours about President Nelson Mandela's health sparked the initial decline. It closed in Johannesburg marginally higher at R4.24.

Mr Manuel, the first member of the African National Congress to become finance minister, said before leaving for London that macro-economic policy would be maintained. He was fully committed to fiscal discipline, the fight against inflation would continue, and there would be no sudden removal of foreign exchange controls.

"In due course, the remaining exchange control measures will be steadily removed. The timing and sequence will be worked out by the department of finance and the Reserve Bank," he said. "There will not be a big bang."

Mr Manuel played down the significance of an ANC politician taking over the finance ministry from Mr Chris Liebenberg, a banker who had no political attachment. But he acknowledged this could be a factor influencing the markets.

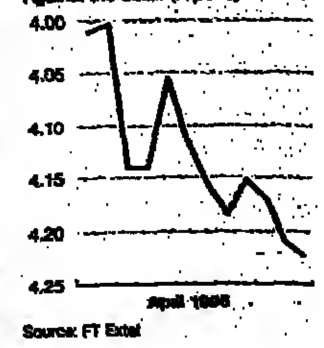
"The question I cannot answer is whether it is nervousness about me, whether it's nervousness about a possible shift in fundamentals, whether it is a perception that the currency may have been overvalued, or whether it is a mix of all these," he said. "That is something I shall have to work out.

"But what I am trying to do is set policies that will allow serious people to appreciate the serious opportunities that exist in South Africa."

The government's basic objective of "a better life for all" would not be achieved "by reckless populism," he said. Nor would it be achieved by creating a situation of "every man for himself", or by expecting the markets to resolve the serious structural deficiencies in the economy.

"So, for me, it is about learning how to play hopscotch in a minefield. It is about understanding the opportunities and the restraints, and about having sufficient humility to take sound advice," he said.

The advice would come from within his own department,



Source: FT Extel

from the Reserve Bank, and from the private sector.

Mr Manuel also has no doubts about the importance of the markets. "The South African economy is not very malleable. And we are dealing with a world where capital markets can be a more important indicator of an economy's health – albeit responding to signals that not too many people will understand – than parliaments," he said. "Globalisation, capital flows, and the volatility this can create, especially in emerging markets, are things that you ignore at your peril."

Mr Manuel will be accompanied by Mr Liebenberg on his 10-day trip which will include Frankfurt, Zurich, New York and Washington.

Editorial Comment, Page 15

NEWS: THE AMERICAS

Congress aims to cut death row appeals

By Jurek Martin, US Editor, in Washington

Congressional conservatives in the US, having failed to make it harder for the legislature to raise taxes, were making progress yesterday towards another goal – reducing the avenues of appeal available to prisoners facing the death sentence.

On Monday night, the House of Representatives symbolically voted in favour of a constitutional amendment requiring two-thirds majorities in Congress for any tax increase. But the final division – 243:177 – was well short of the number needed (280 of those present) for approval.

However, a conference committee of both houses reached broad agreement on the details of a counter-terrorism bill long sought by President Bill Clinton but delayed in part because of disagreements over the rights of those convicted for capital crimes, in the vast majority of cases totally unrelated to acts of terror.

The Republican leaders intend to have both chambers pass the bill and Mr Newt Gingrich, the House speaker, has pledged to have the legislation on Mr Clinton's desk by Friday – the first anniversary of the Oklahoma City bombing which killed 169 people in the worst incident of US domestic terrorism.

The White House continues to have reservations about the legislation, both because of the provisions covering inmates of death row and because it contains less sweeping federal wire-tapping authority than the administration had requested. But Mr Clinton is expected to sign it when he returns from his trip to the Far East and Russia.

The original bill passed the Senate with ease last June but was derailed in the House by an improbable coalition of the gun lobby and civil liberties groups.

The version passed by the House in February, while Mr Clinton was at the anti-terrorism summit in Egypt, was dismissed as inadequate by the president. The conference committee agreed goes some way to meet the demands of the National Rifle Association. It continues to limit multi-point wiretaps, mostly aimed at cellphones, and the chemical "tagging" (for identification purposes) of explosive material, including the common fertiliser used to make the Oklahoma City bomb.

Civil liberties groups are less satisfied with the outcome, except over restrictions on wiretaps. The summary deportation provisions for suspected terrorists remain in the bill, as do denials of US visas to those believed to be associated with foreign terrorist organisations. Both may be challenged in the courts if they become law.

That fate may also await the clauses on death row appeals, or *habeas corpus*. Current federal law imposes no time limits on such appeals, but the bill would require that, in most cases, they be filed within six months of the state legal process having been completed and would oblige federal courts to pass judgment in capital cases within six more months.

Other avenues of appeal exist, including that of clemency to a state governor, but the effect, according to the bill's sponsors, would be to create a two-year maximum from conviction to execution.

Gingrich: firm pledge

Dip in March output attributed to strike at General Motors plants

US production outlook better

By Michael Prowse in Washington

The outlook for US industrial production is improving, despite the impact of a strike at General Motors, the vehicle-making company, which artificially depressed output last month, figures showed yesterday.

The Federal Reserve said that production had fallen by 0.5 per cent last month, following a revised gain of 1.3 per cent in February.

During the first quarter as a whole, US production grew at an annualised rate of 2.7 per cent – up from 0.6 per cent in the final quarter of last year.

However, the Fed said that the underlying picture for US manufacturers was brighter than these figures were suggesting. Production would have risen by 0.3 per cent last month but for the 18-day strike at General Motors which led to an erratic 15 per cent decline in the output of motor vehicles and parts.

The production figures follow reports last week of rapid growth of US consumer demand in the first quarter and signs of upward pressure on food and energy prices. Some Wall Street economists are now worried that faster economic growth will put upward pressure on wages and prices, making a tightening of monetary policy necessary later this year.

"My guess is that March will be the low point for production," said Mr Stephen Roach, chief economist at Morgan Stanley, the US investment bank. "Production gains will accelerate now that companies have eliminated the overhang of inventories." He said that he was more worried about the risk of inflationary pressure developing than at any time in the past seven or eight years.

The outlook for industrial production has been obscured by a series of distortions. The strike at General Motors was preceded by severe winter storms, which depressed output in January, and by a strike at Boeing, the aircraft-maker, which cut production in the final period of last year.

Economists now expect production to revive in response to the broadly based increase in consumer demand in the first quarter. However, some recent indicators, such as the national purchasing manager survey, continue to indicate depressed conditions in manufacturing.

Last month's fall in production left overall output 1.3 per cent higher than in March 1995. Excluding cars, output is up by 2.5 per cent. Industrial capacity utilisation dropped by 0.7 per cent last month to 82.5 per cent.

Venezuela switches to austerity policy

By Raymond Colitt in Caracas

Venezuela's President Rafael Caldera has unveiled details of a national economic stabilisation plan, including tax and petrol price rises, and the liberalisation of interest rates. This represents a reversal of his previous interventionist policies.

"We have taken these measures because we have to," Mr Caldera said to a national television address late on Monday. "We are confident that, after a period of discomfort, adjustment and disturbance, [the measures] will open a path of recuperation and economic development in Venezuela."

The austerity measures aim to reduce the government's budget deficit from 6.1 to 2 per cent, and are to pave the way for a $2.5bn stand-by agreement with the International Monetary Fund.

Petrol prices, previously among the lowest in the world, were raised yesterday from an average Bs3.7 (3 US cents) to Bs55 a litre. A sharp rise in petrol prices in 1989 provoked protests and looting, during which more than 300 were killed in the capital Caracas.

Sales taxes, levied on wholesalers, are to rise from 12.5 to 16.5 per cent. Mr Caldera said the government had the votes in Congress to approve the change, and emphasised that the IMF had suggested increasing the tax to 18 per cent.

Interest rates will be determined by the market as of today, the central bank said.

Mr Caldera reiterated his determination to free foreign exchange controls, which have been in place since June 1994. A central bank spokesman said that a new foreign exchange regime would be announced today, when "a working agreement" would be signed between the finance ministry and the central bank to co-ordinate exchange rate policy. He did not say whether the flotation of the bolivar would be immediate.

The government is widely expected to announce a 50-60 per cent devaluation before the flotation of the currency.

"The announcement was a positive sign and in line with a growing tendency toward market-oriented reform," said Mr Lawrence Goodman, an economic analyst with Salomon Brothers in New York. "They're moving very slowly and carefully, and we need to see them implement the remaining measures they announced."

Caracas stock market investors remained cautious. The Merinvest composite index at noon yesterday was at 185.95, down 1.45 from Monday.

Brazil hit by strike in civil service

By Angus Foster in São Paulo

Brazil was hit yesterday by a patchy civil service strike over a pay claim, which highlighted the government's mounting budget problems.

Union leaders said public servants at universities, courts and social security offices were adhering to the strike, which was called to press the government to concede a pay rise across the board. Several thousand people marched to the presidential palace in Brasília, and a union spokeswoman said the response to the strike had been positive.

The government tried to play down the extent of the strike, and its spokesman said the number of people obeying the call would not be known until today.

However, there were brief interruptions yesterday at the Central Bank, where employees say they have been awaiting a readjustment in pay scales for more than a year. A Central Bank announcement last week that its lower-paid employees were to receive big pay rises has been denied by the central government, which feared other civil servant groups would use such a rise as a precedent.

Confusion about the announcement, and continuing low morale in the bank, prompted renewed rumours that its president, Mr Gustavo Loyola, was preparing to resign. Yesterday, he denied he was about to quit.

Brazil's public servants – more than 800,000 of them – have been expecting a pay rise since January, the usual month for their annual increases. Union leaders are demanding a 46 per cent basic award for as long as possible, compared to inflation last year of about 25 per cent.

However, President Fernando Henrique Cardoso seems determined to delay any pay rise for as long as possible, and some ministers in his government support a pay freeze.

The government's wage bill has more than doubled since 1992 and last year consumed 40bn Reais ($40.4bn) of already stretched revenues. The government's operational budget deficit, which takes account of interest payments and inflation, is expected to fall from 5 per cent of GDP last year to 3 per cent this, but economists say the government needs to control spending further.

Mr Cardoso has proposed constitutional changes to make hiring and firing public servants easier, and to trim the payrolls of state governments. Public sector union leaders oppose these changes and have used the strike to demand their suspension.

AMERICAN NEWS DIGEST

Reforms agreed in Mexico

Mexico's main political parties, apart from the opposition National Action party (PAN), have agreed to reforms aimed at bringing about fairer elections.

The reforms, which President Ernesto Zedillo has been trying to achieve since January 1995, will introduce direct elections for the mayoralty of Mexico City, an opposition stronghold, and include constitutional changes to permit referendums. They would also abolish government control of the Federal Electoral Institute, which is to become an independent authority overseeing elections.

The government is to strengthen the public financing of political parties and guarantee fairer access to television for party broadcasts during elections.

The reforms were presented by the leaders of the ruling Institutional Revolutionary Party (PRI), the left-leaning Revolutionary Democratic Party (PRD) and the small Workers' Party (PT). The conservative PAN, however, boycotted the talks in protest at alleged fraud during municipal elections in Puebla state this year.

The PAN yesterday sought to belittle the significance of the accords, saying they represented only a "statement of good intentions" short of e comprehensive pact on political reform.

Although the talks did not meet Mr Zedillo's goal of an all-party accord, they yielded another government objective: that of isolating the PAN, whose growing electoral strength during Mexico's economic crisis has begun to undermine the PRI's 67-year grip on power. *Leslie Crawford, Mexico City*

Vaccine upsets Brazilians

Brazil has suffered its second public health scandal in less than a month, when more than 3,000 people, nearly all children, suffered violent reactions to meningitis vaccinations on Monday. Children were taken ill with fever and vomiting, and a three-year-old girl suffered a heart attack, after vaccines were applied in two towns near São Paulo.

The vaccination programme, part of a campaign against the growing incidence of meningitis, has been suspended pending an investigation of the locally produced vaccine. Doctors and patients say Brazil's public health system has long been in crisis through government neglect and corruption. Last month, toxicity in a kidney dialysis unit in the northern city of Caruarú led to blood contaminations which have so far killed more than 40 people. *Angus Foster, São Paulo*

Colombian guerrillas attack

Guerrillas in the mountainous southern Colombian region of Nariño attacked a convoy of army trucks on Monday night, killing 31 soldiers and injuring 17. This was the worst such ambush for at least three years.

The trucks were blown up by mines on a deserted stretch of road six kilometres from an army barracks. The guerrillas, apparently members of the Revolutionary Armed Forces of Colombia (FARC), raked the soldiers with machine-gun fire.

Guerrilla activity has more intense lately. Also on Monday, a police training school in the capital, Bogotá, was attacked by rockets, while the chairman of the congressional peace commission in the south-west of the country was kidnapped. Last week, an offensive left more than 40 people dead after rebel units had blocked roads, burned vehicles, dynamited oil installations and attacked patrols and police posts.

Guerrilla groups have re-armed with profits from the drug trade and, in some areas, easily overwhelm the military and the police. The security forces have begun to withdraw from some guerrilla-dominated areas and some small towns will be left without even a police post. *Sarita Kendall, Bogotá*

صكرا من الاهل

NEWS: WORLD TRADE

Kazakhstan tariff cuts will strain customs union with Russia

By Sander Thoenes in Almaty

Kazakhstan will slash import duties on a wide range of products from tomorrow, easing trade relations with the west but straining a fragile new customs union with its neighbours.

Kazakbatan's unilateral move to cut tariffs on cars from about 40 per cent to 2 per cent, and also on furniture and factory and farm machinery – industries Russia is eager to protect from better quality and cheaper imports – is likely to antagonise Moscow, the principal partner in a customs union which also includes Belarus and Kyrgyzstan.

Kazakhstan announced its move days before Kyrgyzstan joined the union – which is designed to harmonise tariffs – last month.

Mr Trek Begakhmetov, Kazakhstan's depnty economics minister, said that Kazakhstan had asked Russia last year to agree to a lower import rate for the items but opted to go it alone when Russia declined.

"We gained a lot from the customs union," he said, adding that trade with Russia rose by more than 50 per cent in the past year. "Maybe this is a step back. But Kazakhstan is a sovereign state and has its own interests to defend. We don't produce cars. We were basically defending the Russian industry."

Customs officials said export tariffs on gas, oil and most metals would also be cut by 50 per cent, following a similar cut in Russian levies thia month.

Most former Soviet republics have imposed steep export duties in recent years to ensure domestic needs are met and to stem a flood of heavily subsidised commodities onto the world market. But high inflation and a cut in subsidies, combined with stabilisation of the exchange rates, are gradually rendering the tariffs unnecessary.

Russia and Kazakhstan have applied for membership of the World Trade Organisation and pledged to abolish all export tariffs this summer. Both countries are loath to free domestic commodity prices altogether, however, and Kazakh officials say they may toughen export licensing to prevent dumping on the world market.

Kazakhstan'a tariff cuts could boost new investments but are unlikely to affect US oil company Chevron and most other big oil and gas companies operating in Kazakhstan, as they obtained exemptions from export duties when they negotiated their contracts.

Similarly, oil and gas executives said their contracts should protect them from expected tax increases that wonld compensate for the abolition of export tariffs.

Thursday's tariff cut on cars will apply only to imports by private citizens, but on June 1 dealerships will benefit as well.

Many dealers have not sold a single car since Kazakhstan sharply raised duties to comply with the customs union last year. Russia, which has four big car producers to protect, imposes a levy of about 70 per cent on car imports, and between 5 per cent and 20 per cent on machinery, such as combine harvesters; Kazakhstan, by contrast, will now exempt sucb equipment from tariffs.

Western diplomats welcomed the tariff cut, calling the customs union with Russia o barrier to entry in the WTO. But many Kazakh officials privately say the cut did more harm than good and predict that Kazakhstan may raise import rates again in a compromise with Russia.

"Nobody actually paid those tariffs anyway, so maybe there was no need to cut them so drastically," one official said. "If we are in a customs union we should do these things together, by consensus."

● The WTO's general council yesterday agreed to set up a worklog party to negotiate accession terms and conditions for Kyrgyzstan, along the lines of similar working parties already established for Kazakhstan and Uzbekistan.

First western nuclear plant in E Europe opens

By Virginia Marsh in Budapest

Mr Jean Chrétien, Canada's prime minister, will today open Romania's first nuclear plant, the only one in the former eastern bloc built with western rather than Soviet technology.

This winter, Romania's worst in 25 years, has seen cuts in supplies of electricity to industry because of energy shortages. Although Romania has a well developed oil and gas sector, it imports around half its primary energy requirements and has struggled to finance energy import bills of about $100m a month.

The Canadian-built reactor will eventually meet around 8 per cent of electricity demand. It is due to begin supplying the national grid later this year.

The plant, situated 170km east of Bucharest at Cernavoda on the river Danube, will eventually have five 700MW Candu-type reactors. Only the first reactor is complete, while a second is about 40 per cent finished.

Candu reactors use natural uranium and heavy water, which have lower radioactivity than the enriched uranium used by most nuclear plants. Canadian officials say the fuel type and the encasement of the reactors in concrete make the Candu reactors safer and cleaner. As well as Canada, South Korea and Argentina have opted for Candu nuclear stations.

The plant, which was begun in 1979, was scheduled for completion in the 1980s but was dogged by chaotic management and technical problems during the regime of late dictator Nicolae Ceausescu. Construction was halted in 1990 after a survey found equipment was in poor condition and that more than a third of welding was faulty. Work on the first reactor was restarted in 1991 and in 1993 the post-communist government negotiated new soft loans from the Canadian government and additional financing from a consortium of Italian banks.

Cernavoda has been built by Atomic Energy of Canada together with Ansaldo of Italy and Renel, Romania's state electricity company. It is estimated to have cost more than $3.5bn to date, well over budget. The industry ministry estimates the second reactor, which Romania hopes can become operational around the year 2000, will cost about $800m to complete.

The opening comes amid growing western concern at the deterioration of nuclear plants in the former Soviet bloc and as pressure increases on neighbouring Bulgaria to close the oldest reactors at its Kozloduy plant, also situated on the Danube.

Emerging economies accounted for the fastest growth within the 10% overall increase in 1995

Recorded music sales bound towards $40bn

By Alice Rawsthorn in London

The global music market saw sales increase by 10 per cent to a total of just under $40bn last year, according to figures released today by the International Federation of the Phonographic Industry.

Last year's growth marks the latest phase of a buoyant period for the recording industry, which has benefited from continuing clampdowns against piracy and the emergence of lucrative new markets in south east Asia and eastern Europe.

The global music market has grown by 38 per cent over the past three years from $28.6bn in 1992 to $39.7bn in 1995, according to the IFPI.

The chief beneficiaries have been the "big five" recording companies that command two-thirds of world sales: PolyGram of the Netherlands, Sony of Japan, Warner of the US, Bertelsmann of Germany and the EMI Music of the UK.

However, the shape of the international market is changing. Growth slowed last year in the US, which has for decades been the world's largest music market, and accelerated in Asian and Latin America countries such as Brazil, India and Indonesia.

Music sales in the US were virtually static last year, rising by 2.2 per cent to $12.1bn. The slowdown reflected a dearth of exciting new releases, disappointing sales from several 1980s megastars, including Michael Jackson and Madonna, and intense price competition.

Other established music markets showed strong growth, notably France, where retail sales rose by 8 per cent to FFr11.9bn, and Japan, the world's second largest music market, with an increase of 9.2 per cent to Y714.2bn.

The fastest growth came from emerging economies, where the effect of economic expansion was intensified by suppression of music piracy.

Sales rose by 19 per cent in India in local currency terms, by 29 per cent in Indonesia and by 12 per cent in the Philippines. Brazil, Hungary, Slovakia and the Czech Republic also showed double digit sales growth.

Expanding markets, particularly those in Asia and Latin America, are nurturing their own indigenous stars, making it difficult for new Anglo-Saxon acts to break through internationally.

There are exceptions, notably Mariah Carey, the US singer who has built up an international following in her early twenties. But musical taste is generally becoming more chauvinistic and local stars, including Hong Kong's Jacky Cheung and Brazil's Momonas Assassinas, are becoming increasingly popular in their regions.

The Recording Industry In Numbers is available from the International Federation of the Phonographic Industry, 54 Regent Street, London W1R 5PJ. 0171-434 3521.

WORLD TRADE NEWS DIGEST

Taiwanese join 'Asia car' plan

China Motor, one of Taiwan's two leading carmakers, said yesterday it would take part in the four-country "Asia car" project, led by Mitsubishi of Japan, to build a new range of Mitsubishi cars on the island.

The cars will also be built in Indonesia and the Philippines by Mitsubishi affiliates. Taiwan will comprise the biggest portion of the plan and the cars to be built by China Motor could be worth between T$1.8bn and T$2.4bn (between US$66m and US$88m) in annual sales, according to a China Motor official.

Meanwhile, General Motors is expected to announce the location of its planned $1bn Asian car plant before the end of June, according to a company official. The Philippines and Thailand have been competing for the prestige venture. The official said GM was still evaluating its options. *Reuter, Taipei*

Snecma extends GE partnership

Snecma, France's state-owned aero-engine maker, has agreed to join its traditional partner, General Electric of the US, in developing higher thrust versions of the GE90 engine. The loss-making Snecma had, for reasons of cost, refused to join GE in developing derivatives of the GE90 engine in which it bas a 25 per cent share. But Mr Bernard Dufour, the Snecma president, said yesterday they had found a reasonable technical solution through using the same high pressure compressor for a 100,000lb thrust engine as for the 92,000lb thrust engine which the two companies have already agreed to work on. *David Buchan, Paris*

France quits anti-missile project

France said yesterday it was pulling out of an international project to develop an anti-missile defence system, saying that for the moment it lacked sufficient defence funding to pursue the programme with the US, Germany and Italy. A framework agreement for the "medium extended air defence system" (Meads) was to have been signed by armaments directors of the four countries attending a Nato conference this week. But diplomats said yesterday that the agreement would now have to be re-drafted in the light of France's abstention. The Meads project, designed to produce 360-degree cover against ballistic missiles, was expected to cost FFr185bn ($36bn), almost equivalent to the entire French annual defence budget, with the US paying half, France and Germany 20 per cent each and Italy 10 per cent. *David Buchan, Paris*

EU in scrap iron 'breakthrough'

The European Commission bas persuaded Romania, Bulgaria and Poland to phase out export restrictions on ferrous scrap, a raw material vital for steel production. It has also persuaded the Slovak Republic to increase its export quota for scrap this year, and Russia to reduce its export tax on the product. As a result, an extra 735,000 tonnes of scrap will be released by the four eastern European countries, worth Ecu25m-Ecu35m ($31m-$44m) to the EU steel industry.

The Commission said the deal was a "breakthrough" as export curbs depress local prices and enable exporting countries to sell steel products to the EU at artificially low cost. The deal is part of a requirement for eastern and central European countries with "association" agreements with the EU to remove export curbs ahead of possible EU membership.

At the same time, the Commission said it was prolonging suspension of anti-dumping duties on erasable programmable read only memories (eproms) from Japan until April 1997, as a market downturn could lead to resumed dumping, even though dumping of cut-price eproms had currently ceased. *Neil Buckley, Brussels*

Minister jets off on missio o bolster ra

Reforms ag Mexico

NEWS: ASIA-PACIFIC

HK banks to face change in securities law

By Louise Lucas in Hong Kong

Hong Kong's banks will lose their automatic right to trade in securities over the next two years, under a new omnibus bill released yesterday by Hong Kong's Securities and Futures Commission (SFC), the colony's securities regulator.

Under the bill, banks that now enjoy exempt dealer status will have to obtain retail securities dealers' licences where those dealings go beyond normal ancillary banking business. Some 157 authorised institutions are now exempt dealers, 98 of which are licensed banks. The remainder are restricted licensed banks and deposit-taking companies.

Securities business at these institutions will be gauged over the next two years; those deemed to require a licence will have to set about obtaining authorisation. The move to bring banks in line with other dealers is part of the composite securities and futures bill published by the SFC.

The bill, designed to rationalise existing legislation in line with recommendations mooted in 1988, is set to rekindle charges that the SFC is assuming too much power. The government, while welcoming the consultative document, says it will carefully scrutinise the bill that emerges after the three-month consultation to assess over-regulation risks.

One area of concern cited by Mr John Wan, senior official with the financial services branch, is the SFC's proposal to define what is a security.

Under present legislation, that responsibility rests with the government. "That alone will have far-reaching implications. If you give too much power to the SFC, there is always the danger the market will be over-regulated."

Industry practitioners, whose views will be canvassed over the next three months, are also likely to balk at the proposed change the SFC argues is needed to keep pace with the market place and increased product range. The consultative paper says: "This is to ensure the definition of securities is flexible and does not inhibit the market from trading new and innovative products."

Objections may be expected from the stock exchange, an old adversary of the SFC, given the watchdog's proposal that banks or other issuers could approach the SFC for approval rather than their direct regulator, the stock exchange. More popular with the exchange will be the proposal to retain its monopoly, while making provisions to regulate electronic trading.

Investors may be concerned that, despite the long gestation period of the draft bill, which is likely to be introduced into law early next year, guidelines on disclosure of interest have not been revamped.

Mr Anthony Neoh, SFC chairman, attributed this to the complexity of the issue but said he hoped to have a bill drafted by June and to bolt it on to the bill published yesterday.

Taiwan shares retreat on fund sale fears

By Laura Tyson in Taipei

Taiwan share prices retreated 3 per cent yesterday on heavy profit-taking after a sharp rally this month, as investors were shaken by news that a government-backed fund would be permitted to sell its holdings.

The government's announcement that participants in the fund were now free to adjust or sell was a reversal of an earlier decision they would be required to maintain their holdings for at least one year.

"As the economic factors have abated, the fund's seven-person decision-making group have recently agreed that all the fund contributors can start to adjust shareholdings according to their own professional judgment," said Mr Thomas Yeh, a senior official at the cabinet-level Council for Economic Planning and Development, which organised the effort.

Share prices have risen nearly one third since the inauguration of the "fund" on February 23. It was set up to stabilise share prices during the run-up to Taiwan's first democratic presidential elections on March 23 and to counter negative sentiment created by Chinese military exercises held near the island.

Participants were mainly government-related institutions, including the postal savings system, pension funds, state banks and insurance companies. Although a T$200bn ($7.36bn) war chest was originally readied for investment, some T$70bn was actually spent, Mr Yeh said.

The rally was sparked in earnest by a Securities and Exchange Commission announcement in early April that Morgan Stanley, the US investment bank, might include the Taiwan stock market in some of its various worldwide equity market indices in September.

Although Morgan Stanley has yet to produce a firm timetable, the announcement set off a buying spree among the retail investors which dominate share trading, as well as foreign investors.

Morgan Stanley's indices are a commonly used benchmark for international fund managers. If Taiwan were to be incorporated into the indices, in theory many funds would seek to increase their weightings in Taiwan shares, resulting in an influx of foreign funds into Taiwan, pushing up share prices.

Vietnam gives the dragon's tail another tweak

Jeremy Grant on an oil contract that amounts to a challenge to Beijing's offshore sovereignty claims

The cyclo-rickshaw drivers stationed outside Hanoi's Hotel Metropole have started wearing baseball caps displaying the logo of the US oil giant Conoco.

It may have been an innocent-enough publicity stunt, but their action also tells of a recent move that raises the spectre of renewed insecurity in south-east Asia.

A week ago Vietnam's state oil agency PetroVietnam signed a joint exploration contract with Conoco for two blocks in waters off the Vietnamese coast claimed by China.

Vietnam says the blocks, which are in an area known internationally as the Vanguard Bank and in Vietnam as Tu Chinh and which are close to important shipping routes, are part of its continental shelf. China has said the deal cannot go ahead as it is in Chinese territory.

But far from setting off diplomatic alarm bells, Hanoi appears to have got credit for a move calculated to cause least possible offence while putting out a marker that it feels the area belongs to Vietnam.

PetroVietnam and Conoco are to explore for oil in Blocks 133 and 134 which are in the Vanguard Bank, which begins at about 300km off Vietnam's coast. However, Block 133 covers much of the area Beijing awarded to Crestone Energy Corp, a little-known Denver-based oil company, in 1992.

The Conoco contract is thus the most blatant challenge to Chinese sovereignty claims since Hanoi in 1994 allowed Mobil of the US to explore an area which Vietnam calls Thanh Long. "It belongs to the centuries-old tradition of tweaking the dragon's tail," said one European diplomat.

Hanoi has picked a good moment to test China's resolve. Relations between Hanoi and Beijing have been improving in recent months, with a ground-breaking visit to the Chinese capital in November last year by Communist party general secretary Mr Do Muoi and the restoration of rail links in February.

It may also hope that Beijing does not have the appetite for another diplomatic scrap so soon after tensions with Taiwan during the Taiwanese presidential election campaign last month.

And with recent international approbation – Washington normalised relations with Hanoi eight months ago, just after Vietnam joined the Association of South East Asian Nations (Asean) – Vietnam will no doubt be counting on tacit support from abroad.

Vietnam is partly basing its gamble on the belief that its claim holds more water than China's. That claim stems from the UN Convention on the Law of the Sea, which it ratified in 1994 but which China has not. This says that in order to claim sovereignty over an area outside an internationally accepted 200 nautical mile (370km) limit, a country must show that the area claimed is a "natural prolongation" of its continental shelf.

While most of the Vanguard Bank is within the 200-mile limit, some is not. Vietnam claims, however, that the remaining area is indeed a natural prolongation of its continental shelf.

A study completed last year by Washington-based lawyers Covington & Burling concluded that a court would recognise Vietnam's claim on this basis.

"As far as the law is concerned, the Vietnamese have a strong claim both in customary international law and in international conventions," said Mr Michael Horn, a lawyer specialising in oil and gas at Sinclair Roche & Temperley in Ho Chi Minh City.

China has said it will reject any attempt to submit the dispute to international jurisdiction, preferring to settle the issue bilaterally.

Industry experts agree that Vietnam has added political weight to its claim by linking up with a major US oil company, in contrast to China's selection of the little-known Crestone. "I think it's fair to say Vietnam is pleased to have a large American name attached to what is quite a controversial block," said a foreign oil company official based in Hanoi.

Conoco's role in all this appears to be strategic, given doubts in the oil industry about the promise of the Vanguard Bank, and the fact that it is in deep water, which would make development costly, even if large hydrocarbon deposits were found.

Conoco is part of a foreign oil consortium that hopes to clinch exploration rights to Block 15-01, arguably the country's most promising prospect. The Houston-based company may be hoping that by showing solidarity with Vietnam in the controversial Vanguard Bank, it may increase the consortium'a chances of winning Block 15-01.

"It (the deal with PetroVietnam) can be seen more as posturing than a solid exploration commitment," said Mr Al Troner, managing director of Asia-Pacific Energy Consulting, based in Kuala Lumpur.

Meanwhile, diplomats note that China stopped short of outright condemnation of the Conoco contract, perhaps biding its time before making a more substantial response.

Some argue that Beijing will wait for the outcome of a landmark congress in June of the Vietnamese Communist party to gauge whether any leadership changes will affect Vietnam's China policy.

One option for China is to step up its naval activity in and around the Vanguard Bank, a move likely to be watched closely by the US.

The US has so far declined to take sides. Last week, the State Department's only response to the development was that Washington "underscored the risks of conducting exploration activities in these areas until the claimants bave first reached agreement on their development".

ADB urges steps to fund urban projects

By Edward Luce in Manila

Asian countries should speed development of local bond markets and overhaul government investment strategies if they are to raise the estimated $280bn a year needed for infrastructure modernisation during the next 25 years, according to a report out yesterday.

The study, produced by the Asian Development Bank for a seminar on urban infrastructure in Manila yesterday, increases the estimate for Asian infrastructure needs to $6,900bn over 25 years from the previous figure of $1,500bn over the next 10 years. The figure is an estimate for the spending needed to meet the region's ambitious growth projections.

"The requirements are staggering and the pressure on governments to raise the necessary resources equally daunting; but without such investment, economic growth is likely to falter," the study says.

The huge scale of demand for new finance will force governments to privatise more infrastructure schemes and speed development of capital markets to increase the availability of funding for urban infrastructure.

China regulation irks news agencies

By Tony Walker in Beijing

Foreign news agencies supplying economic information in China are confused about controversial new regulations aimed at controlling their activities.

Mr Phillip Melchior, managing director for Reuters East Asia, said the regulations issued by the official Xinhua news agency on Monday left "fundamental issues unclear" and "did not resolve major concerns".

"We are studying the matter closely and will continue to discuss our concerns with Xinhua," he added. Other agencies affected include Dow Jones-Telerate and Bloomberg.

The new rules, requiring foreign news vendors in China to register with Xinhua and subject their services to monitoring by the official news agency, refer to a management fee, but do not specify a formula for levying such charges.

Xinhua has been talking about a 7 per cent levy on the gross income of foreign agencies. Initially, it had proposed a 15 per cent charge, but this prompted strong objections from Reuters and the other agencies.

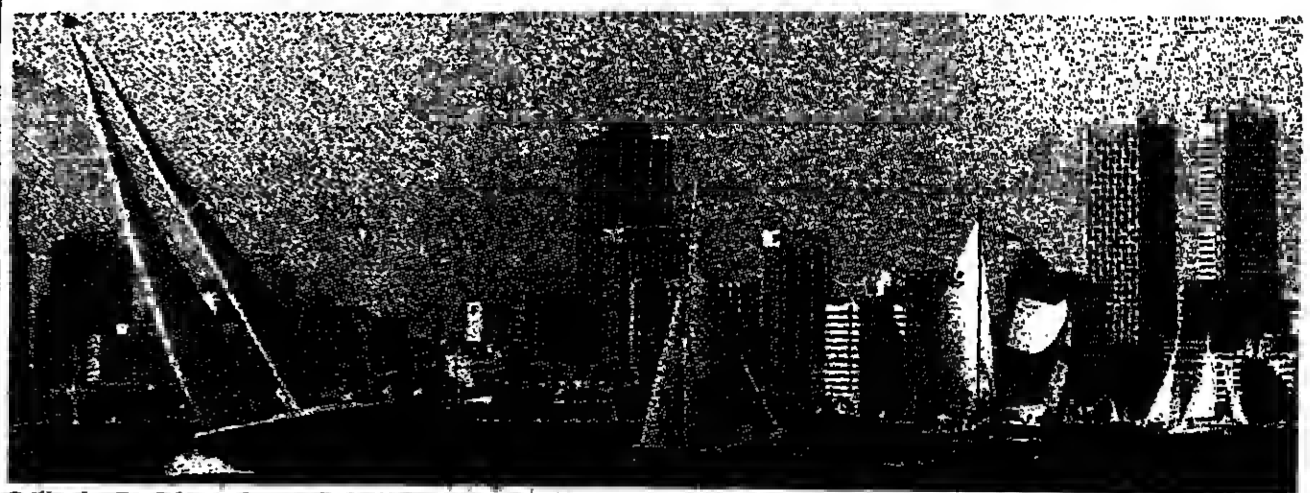
Western governments have challenged China over the new regulations, which appear to pose a threat to the free flow nf informatinn. The US has included the issue in its discussions on Chinese infringements of intellectual property rights.

A Reuters official said that among unresolved qnestions was the status in China under the new regulations of data bases separate from the "real time" information provided by economic wire services.

Xinhua said the rules were "aimed at npholding state sovereignty, protecting the legitimate rights and interests of domestic nsers of economic information, and promoting a healthy development of China's information industry".

Representatives of foreign agencies believe that Xinhua, in its efforts to stiffen regulations over news vendors, is motivated largely by a desire to reap financial benefit from levying a management fee.

Xinhua, the propaganda arm of the Central Committee of the ruling Communist party, is being obliged to become self-supporting. Its staff number 7,000 and its forays into money-generating publishing ventures have met with mixed success.



Sailing by: Perth boomed in the late 1980s with the international fame brought by Alan Bond's defence of the America'a Cup Glyn Genin

Skies clear in Australia's west

If café society is a guide, Perth and Fremantle are on a roll, writes Nikki Tait

A weekday lunchtime, and the *al fresco* restaurants along Fremantle'a main road are bustling. If café society is any measure of economic health, then the Western Australian twin cities of Perth and "Freo" are on a roll.

It is probably an exaggeration to say boom times are back in Australia's westernmost state. But a surge in resource-related investment and the possibility this could multiply over the next five years seem to have brought a spring to the locals' steps.

Already, the investment upturn has been accompanied by a number of corporate relocations. Most prominent domestically has been Woodside Petroleum, the oil and gas producer. It has long stationed its operational base in Western Australia but is now moving its head office from Melbourne to Perth. It will be WA's biggest listed company.

This trend has also been mirrored at international level. When France's Coflexip, which provides sub-sea services to the energy sector, took over Stena Offshore in 1994, it located its Asia-Pacific headquarters in Fremantle.

Perth's boom in the late 1980s was inspired by businessmen such as Mr Alan Bond, who brought Perth and Fremantle international fame with his defence of the America's Cup yachting competition in 1987. Now even the skyscrapers along the Swan River in central Perth, which came to symbolise those rash, heady days, seem to be filling slowly.

"There has certainly been some upside for the central business district," says Mr Anthony Jones at Knight Frank Hooker, "and it could improve further."

In one respect, the upswing is not so surprising. WA has long been among the most volatile of the Australian states, operating from a small base (1.7m people) and heavily influenced by the mining sector. The state's economy surged more sharply than Australia generally in the mid-1980s, plunged more markedly after 1987 and has generally outperformed for most of the 1990s.

Many people think this upturn is different. "This time, it's far more broadly based," says Mr Paul Farnhill, senior policy analyst at the Department of Commerce and Trade (DCT). "I think it'll be more sustainable."

By Australian standards, the investment figures look impressive. Between 1987 and 1992, private capital investment in WA was about A$4bn (US$3.1bn) a year; in 1992-93, it grew to more than A$5bn; in 1994-95 it reached A$7bn. "It's jumped by quite a significant factor," notes Mr Bruce Sntherland, the DCT's chief executive.

But, according to the latest Investment Monitor from Canberra-based Access Economics, this could be just the beginning. It calculates the total potential investment in WA – that is, projects under construction, committed or under consideration – is at present A$42.4bn or almost a third of the Australian total.

Separating the "blue aky" projects from the ones that have a good chance of being implemented is difficult. Two sectors account for much of the interest. The first is iron ore. For three decades, the rich, red earth of the Pilbara region, in WA's north-west, has been a major source, with most of the ore being exported to steel mills in Japan.

In the wake of deregulatioo of WA's energy sector a year ago and a near-halving of wholesale gaa prices, local downstream processing of the ore has begun to look more attractive. This cost change has coincided with the growth of smaller "electric arc" furnace steel-making in nearby East Asian markets, which can draw on either scrap or processed iron as a feedstock.

Interested investors range from RTZ-CRA, now the world's largest mining group, to Japan'a Mitsubishi.

The second area which is poised for growth is the North-West Shelf. The original gas project, tbe largest resource development undertaken in Australia, had a difficult birth, with around A$20bn being spent to bring two large offshore gas/condensate fields into production.

This now supplies domestic gas and condensate, while LNG goes for export, mainly to Japan. On botb counts, demand is growing. It is no secret that the project partners, including companies such as BHP, Shell, Chevron and Woodside, are looking at a multi-billion expansion.

Officials talk breezily of an annual growth for their state of 5 per cent for the foreseeable future: some 1.5-1.75 percentage points higher than for Australia generally. Still, in WA, where a mining-town mentality never seems too far away, some caution is advisable. Even Mr Sutherland concedes local labour market shortages could pose a problem.

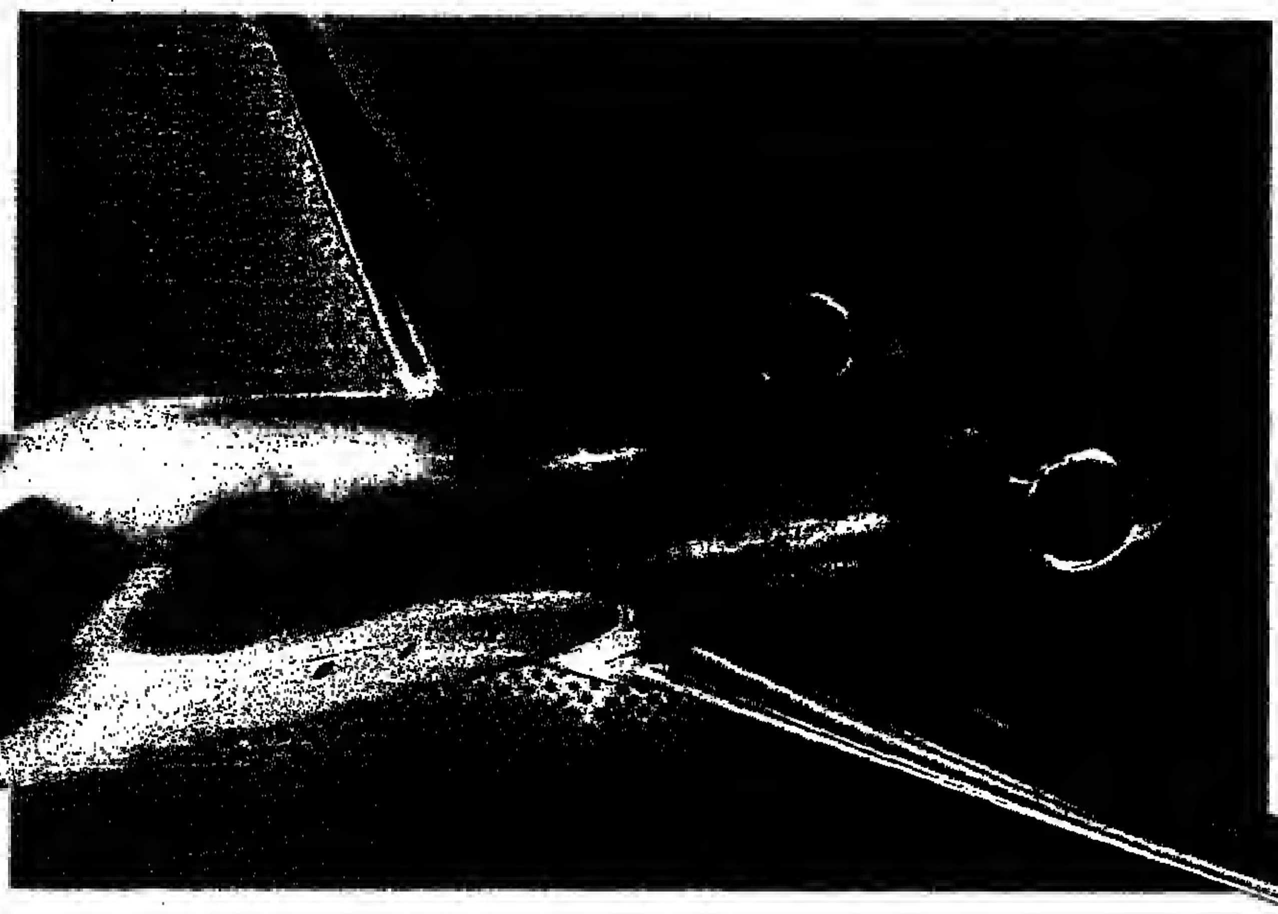
Much of the investment will be predicated on stable Asian demand. "The biggest downside would probably be a political event in the Asian region," says Mr Sutherland. "That's the kind of influence which could be destabilising."

هكذا من الأصل

How The Global Express Reached Near Sonic Speeds In Under 3 Metres.

John J. Lawson, President, Business Aircraft Division, Canadair

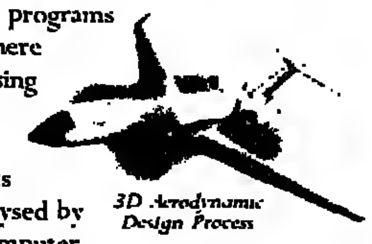
"We've designed the Global Express® business jet to give you the speed you need to reach any destination on earth faster than ever before. And in doing so, we've set standards for ourselves that take us beyond today into tomorrow."



Validating our near sonic speeds in Microcraft's 2.13 m x 2.13 m wind test tunnel from the results obtained from our computer programs.

Perfecting The Design

Data established using CATIA technology was then electronically transferred to the Computational Fluid Dynamics programs (CFD) where models using over a million grid points were analysed by a supercomputer.



3D Aerodynamic Design Process

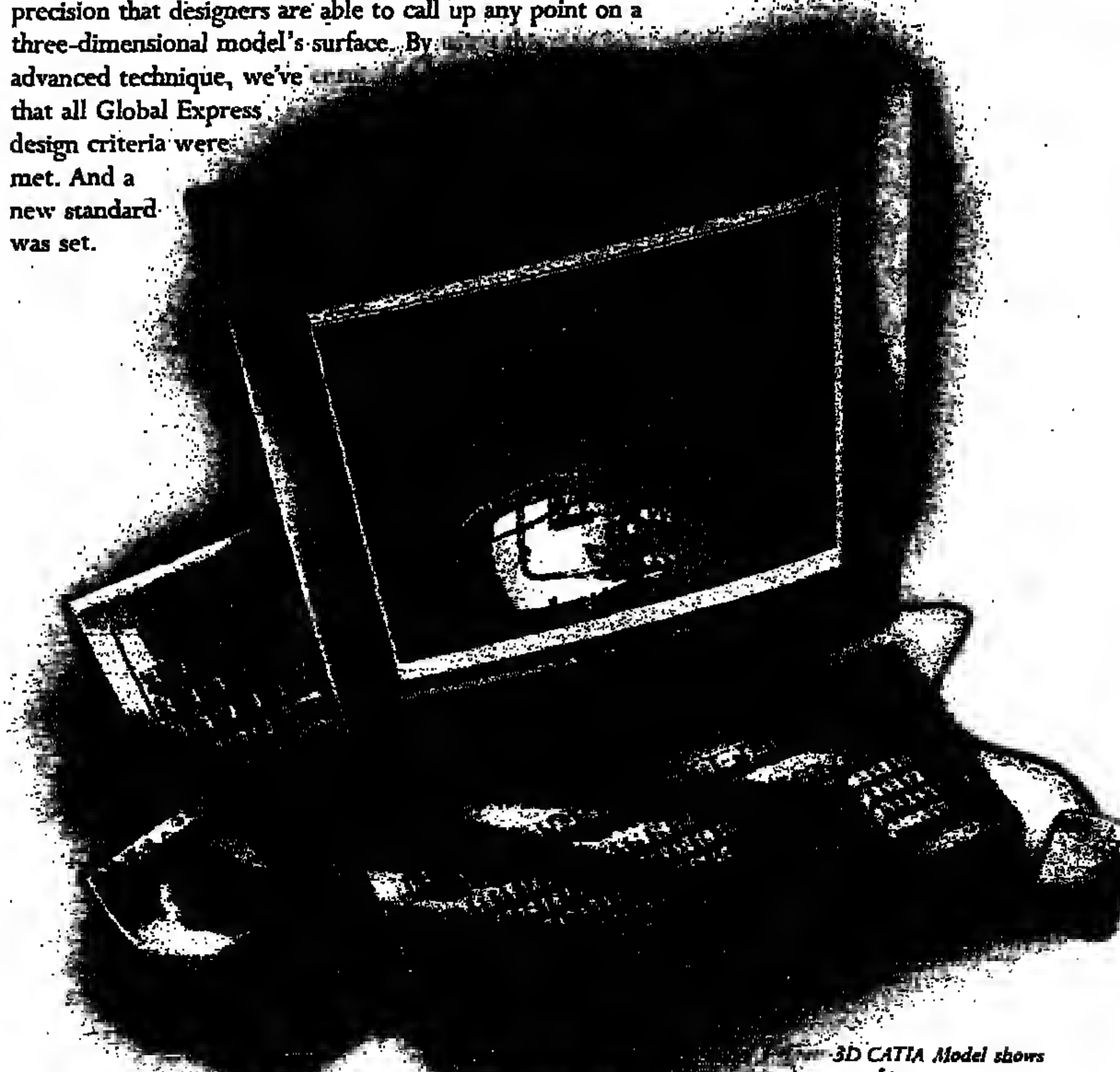
This allowed us to accurately estimate drag and its effects on the performance of Global Express, and in so doing, helped us perfect the aircraft's aerodynamics before any metal was even cut. In essence, CFD has accelerated the aircraft's development process significantly by allowing many configurations to be tested computationally. As such, it reduced the amount of wind tunnel testing needed and made it possible to produce a superior design through more vigorous and effective optimisation.

We Started With A Clean Page

Creating a business jet that will take you into the next century required reinventing the corporate aircraft itself. From day one, we set our design requirements to deliver an aircraft that offers ultra-long range at higher speeds from the shortest runways. One whose every system is designed to the same stringent safety standards that apply to the latest airline carriers. And most of all, a corporate aircraft that is outfitted with the widest, most spacious cabin in corporate aviation. So you can handle the rigours of global travel with greater ease.

Refining The Concept

The shape of an aircraft largely determines its flight characteristics. In order to realistically generate that shape precisely as designed, our engineers drew on the expertise of the CATIA® (computer aided three dimensional interactive application) computer program. Its capability for extremely precise calculations was key to our goal. CATIA can define a curved shape with such precision that designers are able to call up any point on a three-dimensional model's surface. By [illegible] advanced technique, we've [illegible] that all Global Express design criteria were met. And a new standard was set.



3D CATIA Model shows spacious cabin in corporate aviation

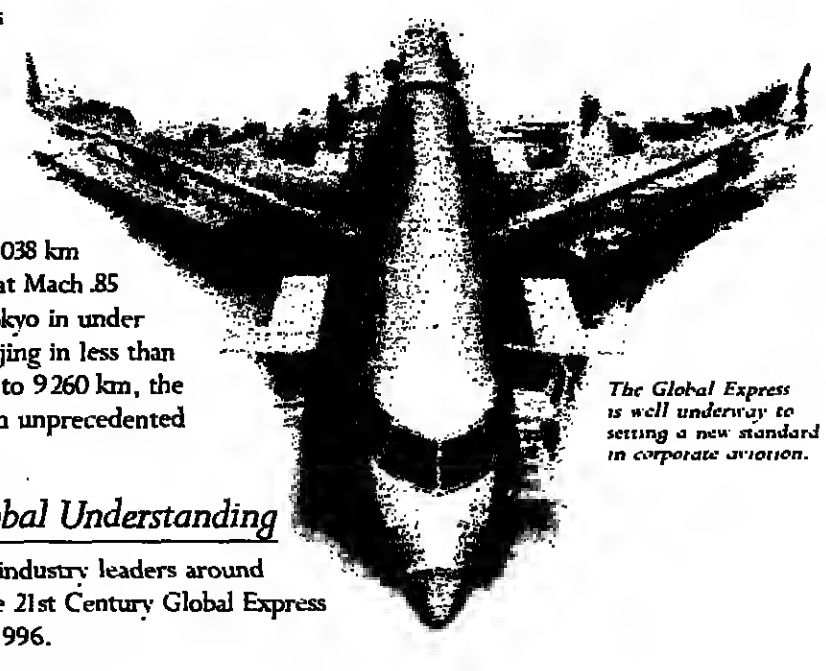
Over 2,100 Hours Of Testing At Leading Facilities Around The World

To help validate the results obtained from the computer program, the Global Express wind tunnel models underwent over 2,100 hours of testing at leading facilities including the National Research Council in Ottawa, Microcraft in Los Angeles, Aircraft Research Association in Bedford, England, and NASA Lewis in Cleveland.

Extensive computational fluid dynamics analysis and wind tunnel testing of both the low- and high-speed aerodynamic configurations have validated our design, which permitted us to guarantee our performance specification a full 12 months before our first flight. In turn, these numbers have been verified by two independent leading commercial aircraft manufacturers. The bottom line is, the Global Express is right on target for cruise at very high speeds, and for takeoff and landing at impressively low speeds.

11 723 Kilometres At Mach .85. 9 260 Kilometres At Mach .88

Maximising your time is critical. Which is why we're expanding the possibilities of high-speed nonstop travel far beyond those of today's corporate jets. For example, the Global Express will span distances of up to 12 038 km at Mach .80. Flying 11 723 km at Mach .85 it will link New York with Tokyo in under 14 hours. And London to Beijing in less than nine. And on any mission up to 9 260 km, the Global Express will feature an unprecedented cruise speed of Mach .88.



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NEWS: UK

N Ireland peace process is launched

By James Harding in London

The British and Irish governments yesterday formally launched the Northern Ireland peace process with "guarded optimism" about a forthcoming restoration of the ceasefire by the IRA.

Mr Albert Reynolds, the Irish prime minister, suggested the IRA may wish to translate what he saw as a "de facto" ceasefire for the last two months into a full renunciation of violence.

Sir Patrick Mayhew, the Northern Ireland secretary, however, warned that the IRA would have to restore the ceasefire soon in order to convince the government that it had met the conditions for participating in the talks starting on June 10.

The comments came as the government laid before parliament the legislation necessary to enable elections at the end of next month to a "deliberative forum", from which representatives will be chosen for the all-party talks intended to reach a long-term settlement.

The draft legislation also leaves open the possibility of the government calling a referendum to endorse the peace process in Northern Ireland, but as yet ministers are understood to be disinclined to do so.

In Dublin yesterday, Mr Reynolds clarified that he did not expect an immediate announcement, but believed that "if the right conditions are brought about by the British government announcement, a review of the whole situation could take place".

Sir Patrick yesterday said the government remained committed to the preconditions laid out earlier this year by Mr John Major, the prime minister, and Mr Reynolds. They require the IRA to accept the principles of non-violence, as well as "address" the issue of decommissioning of arms, before Sinn Féin, its political wing, can be admitted to the talks. He nevertheless signalled some leeway on the issue of decommissioning, by the use of the word "addressing".

Mr Martin McGuinness, Sinn Fein's chief negotiator, dampened speculation of an imminent ceasefire. "If we can get rid of all the preconditions and have talks commencing and completed within an agreed time frame, then Sinn Féin is prepared to try again, but it's a massive challenge and it's going to be much more difficult this time around," he said.

Mr Major has pledged to go ahead with the peace process regardless of whether Sinn Féin participates and yesterday's legislation is intended to pave the way for the election and then the talks. The government is aiming to rush through the legislation in the next ten days, to enable elections to go ahead on May 10.

British deputy prime minister, Michael Heseltine, is shown around a factory in Portadown, Northern Ireland, yesterday by Ulster Carpet Mills chairman, Edward Wilson. Mr Heseltine is visiting the province to promote business competitiveness Photograph: Press Association

End of telecoms duopoly backed

By Alan Cane in London

Government plans to strip British Telecommunications and Mercury Communications of their exclusive right to provide international services out of the UK over their own networks are broadly approved by the majority of Britain's larger operators.

The mova is expected to bring lower prices for customers through the growth of competition on international services, including the lucrative transatlantic routes.

There are serious concerns, however, best articulated by BT and Mercury, that unilateral liberalisation could disadvantage UK operators in competition with overseas competitors.

BT notes in its response to the plans: "All past experience suggests that unilateral opening of the UK market will not be followed immediately by corresponding moves by other countries.

"BT and Mercury will not be given the opportunity to enter overseas markets until similar liberalising measures are implemented at a much later date, in other countries."

There are also concerns that the UK's balance of payments could be at risk unless safeguards are built into newly awarded operating licences.

The government's own figures suggest there could be a net negative effect on the balance of payments of £9m ($13.65m) a year if routes out of the UK to the rest of the world were opened up.

BT and Mercury have operated as an "international duopoly" since the early 1980s. The government's market liberalisation plan was set out in a consultative document published last month and submissions from the industry were due on Monday this week.

A final decision is expected in the summer. To maintain the UK's position as the telecoms centre of Europe, the government is anxious to open international routes before January 1 1998, when the European Union has decreed all telecoms services and infrastructures must be liberalised.

AT&T of the US, which is expected to be among the first to apply for an international licence, said it would like to see BT and Mercury's excess international capacity made available to other operators at cost price. It also wanted to be able to interconnect with the UK operators' international cables at cost.

Energis, the UK operator owned by the National Grid said global licences – that is, giving the right to transmit to anywhere in the world – should be awarded, but there should be comparatively few, say, five.

Mercury said it was principally concerned with the potential for anti-competitive behaviour bn operators with control of both ends of an international route.

UK NEWS DIGEST

Unions expect greater powers under Labour

Britain's trade unions will expect to play a powerful role in the running of the economy if the Labour party wins the next general alection, a senior union leader claims today.

Mr Jimmy Knapp, the RMT transport union general secretary, claimed a Labour government would "signal a further revitalisation of the trade union movement".

"I believe this will open a new chapter where trade unions can and will play a central role in business and the local community," he has written in bis introduction as president of the Unity Trust trade union bank to its annual report published today.

But in Edinburgh, Mr George Robertson, shadow Scottish Secretary, told the Scottish TUC annual conference that there would be no special relationship with the unions if Labour won the election.

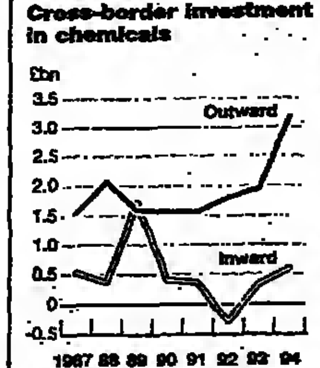
"There can be no return to the practices and the industrial relationships of the seventies," Mr Robertson said. "That so-called glorious past that never was glorious, and its ways are no more relevant to the new millennium than the room-sized computer is to today's laptop."

In his optimistic message to the bank's shareholders – most of the trade unions and the Co-operative Bank – Mr Knapp also claimed opinion both in the UK and in mainland Europe was now "swinging perceptibly back in favour" of the trada union movement.

Robert Taylor, Employment Editor

Chemical investments shift

Cross-border investment in chemicals



The chemical industry's relocation outside the UK has been relentless during the 1990s. In spite of Britain's emphasis on flexible labour laws, and a recent Department of Trade and Industry initiative aimed at promoting north-east England as a chemicals centre, manufacturers are voting with their assets. British chemical companies have been investing more outside the UK than non-UK companies have been investing in the UK for eight out of the past nine years. As a result, non-UK chemical assets in the UK, which peaked in 1989 at £8.48bn, were valued at £5.42bn in 1994. Meanwhile, UK chemical assets outside the UK rose by 40 per cent from £10.11bn to £14.16bn. The reasons are clear enough. The return on UK companies' overseas assets has dipped below 15 per cent only once in the past decade – to 14.78 per cent in 1992 – and has averaged more than 17 per cent. Over the same period, the return on assets recorded by non-British chemical companies investing in the UK has swung in a range between 14 per cent and 7.4 per cent, averaging just 11 per cent.

Jenny Luesby, London

Consumer online service launched

Europe Online, the multilingual consumer online service, launched its UK-based English language service yesterday with plans to challenge the US domination of the consumer online market in Britain by services such as CompuServe and America On Line.

Europe Online, which launched its first service in Germany in December, claims to be "the first multimedia, multilingual service developed by Europeans for Europeans". The UK-based service is one of three subsidiaries of the Luxembourg-based Europe Online holding company whose main shareholders include Burda of Germany, Pearson, the media group which owns the Financial Times, and AT&T of the US. Subscribers to Europe Online will have access to information from content providers such as Reuters and UK News, Future Publishing, Mintel and Shoppers Universe – an electronic home shopping service launched by Great Universal Stores, as well as full access to the Web and Internet e-mail.

Paul Taylor, London

Komatsu increases model range

The UK manufacturing division of Komatsu, the Japanese construction machinery maker, is increasing its model range to include 45-tonne hydraulic excavators and plans to further expand into 65-tonne machines, it announced yesterday.

The new 45-tonne excavator will be sold throughout Europe, replacing a previous model imported into Europe from Japan. The 65-tonne machine, to be made from next year, will be sold in Europe and the United States. Komatsu is investing £2.9m at its Birtley plant in north-east England to make the new, larger models. "It further demonstrates the commitment Komatsu have to the Birtley plant," said the company.

Chris Tighe in Newcastle

Soft drink name ban disallowed

Leading brewers and distillers have failed to ban the use of soft drink names such as lemonade and cola in their code of conduct on alcoholic soft drinks. The code published yesterday was prompted by concerns that alcoholic soft drinks such as Hooper's Hooch, launched last summer by Bass, might encourage drinking by teenagers under 18, the minimum age for purchasing alcohol in the UK.

Drawn up by the Portman Group, the alcohol policy institute, the code was sharply criticised yesterday as ineffective by soft drink manufacturers, organisations trying to prevent alcohol abuse and some politicians. The Portman Group said it wanted to ban soft drink names for alcoholic brands but the Office of Fair Trading said such a move might have contravened competition legislation. The ban might have hindered new entrants from launching competing drinks because of the additional cost of complying with the code.

Roderick Oram, Consumer Industries Editor

Plans for immigration changes attacked

Financial Times Reporters

The government's controversial Asylum and Immigration bill, will not meet its objectives, probably contravenes international law, and will do serious harm to British race relations, an independent investigation has concluded.

The final report of the Glidewell Panel, an independent body led by Sir Iain Glidewell, a former senior member of the judiciary, said yesterday it was "not convinced" the bill would meet its objectives of cutting the rising tide of asylum seekers and illegal immigrants. It also warned that its implementation would have "dangerous implications" for race relations.

The report is a further embarrassment for Mr Michael Howard, the home secretary, who has been the subject of a series of withering attacks from the judiciary over a number of months.

Labour seized on the report as confirmation of its claim that the bill was flawed, and promised to step up its campaign against the legislation in the House of Lords, the unelected upper house of parliament, next week.

"An independent assessment of this bill shows that it is nasty, vindictive and racially motivated," said Mr Doug Henderson, shadow home affairs spokesman.

In particular, the report says the bill's provisions to make employers liable if they are found to have hired illegal immigrants would be expensive to implement and have little chance of succeeding.

Although similar legislation is already in place in all other European countries, the bill has been publicly opposed by both the Confederation of British Industry and the Trades Union Congress.

The Home Office yesterday rebutted the main findings of the report, and insisted the bill would speed up the processing of genuine asylum claims. It added that the Commission for Racial Equality was fully involved in detailed discussions on how the bill might be implemented.

There are no official figures for the number of illegal immigrants in Britain, but estimates range from 20,000 to over a million. Last year nearly 44,000 people applied for asylum, compared to 33,000 in 1994.

Funding for public projects criticised

By David Wighton in London

The government is in danger of losing control over public spending unless changes are made to the operation of the Private Finance Initiative, which aims to attract private capital into public projects, an influential committee of MPs has warned.

In a critical report yesterday, the cross-party Treasury Committee said there was a "rather haphazard" system for monitoring the future public spending commitments under PFI projects across all government departments.

In the short term, however, the committee said there was also a risk of infrastructure investment falling below expectations due to the government's optimistic projections for the PFI.

"If there is a serious shortfall in the PFI projections, it will be difficult to provide money from public capital budgets to fill the gap," the committee said.

Although generally supportive of the scheme, the committee said the government was using the PFI as a substitute rather than an addition to conventional public spending.

It warned the government against passing responsibility for long-term infrastructure planning to the private sector. "It would be unacceptable if the government's planning for the future provision of roads or hospitals began to be driven by the shorter-term perspectives of private bidders," the committee warned.

It also questioned the assumption that a PFI approach would generally be better value for money than one funded by conventional public capital expenditure, given that the government can borrow money more cheaply than the private sector. The committee said the Treasury would have to demonstrate that higher financing costs have been more than offset by efficiency gains.

Mr Clive Betts, one of the committee members from the opposition Labour party, said that the Treasury's recently announced changes to the operation of the PFI addressed only some of the criticisms.

"The one problem they have said they will tackle is that all schemes have had to go through the PFI process even if they are clearly unsuitable. This has both delayed important projects and wasted private-sector companies' time."

He added that while the Treasury has said it was working on a system of monitoring PFI commitments it was "incredible" it had not been in place from the start.

Broadcasting bill 'anti-competitive'

By James Harding in London

The opposition Labour party yesterday launched a wide-ranging attack on the broadcasting bill, saying that its proposals represented a regulatory obstacle to the development of strong media companies.

As the bill came to the House of Commons from the House of Lords, Mr Jack Cunningham, Labour's national heritage spokesman, said: "There is no level playing-field in the government's proposals – they are anti-competitive and unfair."

By contrast, he said, "Labour is committed to seeing strong and diverse companies operating in local, national and international media markets."

Mrs Virginia Bottomley, national heritage secretary, defended the limits on media ownership, saying that "the media is an industry unlike any other". She added: "We need to retain essential safeguards on plurality of ownership which go beyond the backstop provided by general competition legislation."

Although Labour was not expected to win the vote on Mr Cunningham's amendment outlining opposition to the bill, the debate signalled the likely rough passage that the bill will face in the Commons.

Mr Cunningham promised that Labour would seek amendments at the committee stage to ease restrictions on cross-media ownership. Labour wants to lift the limits on national newspaper groups investing in television, in particular to give the Mirror Group access to the television market.

Mrs Bottomley took the opportunity of the debate to outline a number of amendments to the original bill. Among plans to encourage digital broadcasting, she announced increased capacity for improved Teletext services.

Names attempt to delay legal action

By Ralph Atkins, Insurance Correspondent

LLOYD'S

Leaders of groups acting for litigating Lloyd's of London Names are hoping to win significant concessions from the insurance market after proposing the adjournment of an important legal action due to start today.

Some of the main groups representing lossmaking Names believe the decision could pave the way for extra help for their members under Lloyd's recovery plans, to be implemented this summer. Names are individuals whose assets have traditionally supported Lloyd's.

However the move has split them, with some in the US and Canada complaining that leaders of the biggest groups have sought special favours from Lloyd's.

Mr Michael Deeny, chairman of the Gooda Walker action group, and Mr Damon de Laszlo, chairman of the Feltrim Names' Association, are expected to explain the decision to suspend the action in letters to members later this week.

The legal action would test Lloyd's ability to change its rules so damages won in court by lossmaking Names are used to settle their outstanding debts at the market.

Yesterday Mr de Lazlo said: "The only deal that can be done is a deal that suits all the litigating Names... We're adjourning very much in good faith to try to progress the settlement negotiations."

All litigating Names would benefit if Lloyd's agreed proposals to restructure an out-of-court offer that is part of a recovery plan and expected to increase from £2.8bn ($4.25bn) to more than £3bn. However Gooda Walker and Feltrim might gain further benefit if special treatment was given to litigation awards currently frozen in solicitors' accounts.

UK-France contest for new bearings plant

By Peter Marsh in London

Timken, one of the world's biggest makers of industrial and automotive bearings, will decide soon between its plants in Northampton in the English Midlands and France for a £6.6m ($10m) investment to make a new kind of bearing for trucks that is claimed to cut fuel and maintenance costs.

The US-owned company, which employs 1,500 people near Northampton, is talking to large European truckmakers about the new device which it reckons could generate annual sales of several tens of millions of dollars by the end of the century.

The company said the geographical location of the factories would be vital for the decision. While the Northampton factory has led the development of the new bearing, Timken's other big European plant in Colmar, France, could win the investment if the company decides it is closer to most of the main likely customers for the device.

The investment programme is considered large by the standards of the bearings sector.

However, it is unlikely to generate many new jobs, because manufacture of the new items would largely displace older products.

Mr Jon Elsasser, Timken's vice-president in charge of its bearings business in Europe, west Asia and Africa, said the company would decide on the new investment "pretty soon".

He said several European truck companies were "very interested" in the product.

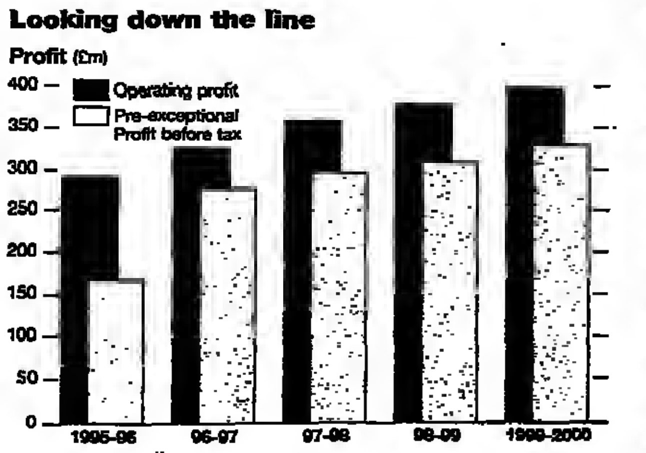
The new device, one of a family of types called tapered roller bearings, fits between the axle and the wheel of a truck.

According to Timken, the bearing should be more robust than conventional devices, and suffers from less frictional resistance. As a result, truck operators with these products fitted to their vehicles should have lower maintenance and energy bills. The company has spent several million dollars developing the product, with much of this work done in the UK. Timken's worldwide bearings sales come to some £1bn ($1.52bn) a year, about 6 per cent of the global business. Big competitors include SKF of Sweden, Germany's FAG and NSK of Japan.

Timken recently added to its operations in Europe through the £8.3m ($12.5m) purchase of a plant in Sosnowiec, Poland, which was previously owned by the Polish government.

Privatisation roadshow for Railtrack goes international

Looking down the line



Revenues (£m)	1995-96	96-97	97-98	98-99	1999-2000
Passenger access income	2,024	2,059	2,094	2,129	2,166
Freight income	142	144	146	148	151
Property income	116	126	134	143	153
Other income	20	30	45	47	48
Total revenues	2,304	2,359	2,419	2,468	2,518

Source: SBC Warburg

By Charles Batchelor in London

The three senior directors of Railtrack, the British rail network which is to be privatised, start a four-week international "roadshow" to promote their company's shares to institutional investors today, secure in the knowledge that individual investor demand in the UK is likely to be strong.

More than 900,000 private investors have already registered an interest in acquiring Railtrack shares. Even if only 30 per cent to 50 per cent of these investors buy any – the pattern of previous privatisations – the company is unlikely to have any difficulties reaching its target of placing at least 30 per cent of its shares with the general public.

With two weeks still to go before registrations close, the sale is attracting a similar amount of UK public interest as the sale of the power generation companies last year, according to Railtrack advisers.

Private investors have been drawn by a combination of the incentives available to them and the appeal that an investment in the railway makes to the public's imagination. These will outweigh threats by the opposition Labour party to reassert state control, the company believes.

Railtrack, comprising track, signalling and stations from British Rail, is the largest single company to be formed under rail privatisation and the only one to be sold off by way of a market flotation.

Railtrack's roadshow team consists of Mr Bob Horton, the chairman, Mr John Edmonds, the managing director, and Mr Norman Broadhurst, the finance director. They will spend their first week in the UK before flying to Los Angeles and working their way east to Boston in week two, talking to potential investors on tha way. Continental Europe follows in week three while Asia-Pacific investors will be courted by means of video-conferencing links, saving the need for yet more long-distance travel.

Railtrack acknowledges that it is the international investors, unfamiliar with the complexities of rail privatisation and less able to judge the seriousness of Labour's threats to re-establish closer control of the railway, which will be the hardest to interest in the sale.

The split between train operations and ownership of the rail infrastructure is unfamiliar to investors outside the UK, although European railways are starting to split the two sides, for accounting purposes at least.

Even so, Railtrack and its advisers hope they can persuade investors outside the UK to buy up to 20 per cent of the shares, a figure comparable with overseas sales achieved on previous privatisations.

The company's 253-page "pathfindar" prospactus, published on Monday, confirms at first sight the view of analysts that Railtrack will be utility stock, with opportunities for cost-cutting but little scope to increase revenues.

"Research undertaken by Railtrack suggests that passenger travel within the UK will show an annual increase of around 2 per cent and that rail's market share will remain broadly stable at around 5 per cent until 2020," it said.

The Save our Railways pressure group yesterday launched a legal challenge to rail privatisation in an attempt to lift a ban on British Rail bidding for passenger train operating franchises.

The group lodged papers with the High Court in London seeking leave to apply for a judicial review of the franchising director's refusal to allow BR to take over the London, Tilbury & Southend (LTS) line.

The court appeal came on the eve of today's debate in parliament about the privatisation of Railtrack, which this week published a prospectus outlining its flotation plans. The Labour opposition is expected to force a vote on the issue in what will be the first test of the government's shrunken Commons majority.

Mr Roger Salmon, the franchising director, has refused to allow BR to bid for the early franchises on the grounds that it could cross-subsidise routes and that its presence would deter management teams and distort competition. He has not excluded it bidding for some of the later franchises, however.

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BUSINESS AND THE ENVIRONMENT

A survey of the green elements of company reports and accounts reveals that many suffer from the lack of standard measurement, says **Jim Kelly**

Could try harder

Annual reports and accounts are crowded documents. Whether environmental reporting can survive the competition for space in the coming years largely depends on how useful the data are to those who read accounts and rely on the figures.

A comprehensive survey* of more than 600 UK companies' annual reports, published today by the Edinburgh-based financial reporting monitor Company Reporting, indicates that while there has been an "explosion" in such information it is still not necessarily useful.

These results follow the recent publication of a proposal by Britain's top companies that business adopt a code of practice on environmental reporting. The Advisory Committee on Business and the Environment, the body of senior business figures that advises the government on environmental matters, says this would greatly improve understanding and the use of environmental information by the financial markets.

The survey undertaken by Company Reporting – on annual reports filed in 1995 – provides a wealth of evidence to support the need for an environmental reporting code. "There is no inherent discipline in environmental reporting," conclude the authors. "The disclosures are a free-for-all of statements, percentages, volumes and monetary figures, no doubt carefully selected but not necessarily enabling comparisons among companies or even within companies."

A striking example of this problem is evaluating how much companies spend on environmental protection. These figures are difficult to find – often for laudable reasons. Shell, one of the companies surveyed, illustrates the point, reporting that: "The costs of prevention, control, abatement or elimination of releases into the air and water and disposal and handling of wastes at operating facilities are considered to be an ordinary part of carrying on business ...". They are therefore not accounted for separately.

The 600-plus companies surveyed, including all the FT-SE 100, reveal many types of environmental disclosure. While 29 per cent of the sample made environmental disclosures only 18 per cent made "substantive" statements – including specific data. But 14 per cent, while setting targets, did not quantify them. Just 2 per cent of companies quantified targets in non-monetary terms – including companies such as Courtaulds, Imperial Chemical Industries Marks & Spencer, Tesco and Scottish Power. Just 1 per cent used monetary targets – British Polythene Industries, CAMAS, the aggregates company, Hanson, T&N, and Transport Development.

Specific, useful environmental data are extremely rare. ICI and Yorkshire Water were the only companies to give details of punitive costs related to environmental accidents. Shell, Thorn EMI and Yorkshire Water were alone in quantifying environmental liabilities.

British Gas, British Petroleum and Shell were among the handful of companies which quantifed contingent environmental liabilities.

Just 6 per cent of the sample mentioned environmental audits – and only 1 per cent published the results of such audits. The companies leading disclosure in this area were BICC, Coats Viyalla, Courtaulds Textiles, Geest, HP Bulmer, John Laing, Laporte, Redland and Rexam. Among companies mentioning staff training in environmental issues, the field was again taken by a few companies including Blue Circle Industries, Coats Viyella, Ford Motor, General Electric Company, Lucas Industries, RMC, Redland, SmithKline Beecham, Unilever and Zeneca.

One group of companies, about 11 per cent of the overall sample, makes only a general disclosure on environmental issues. While this puts them ahead of the 71 per cent which say nothing at all on the subject, the usefulness of such disclosures is limited. Sometimes there is just a brief mention of the environment and sometimes a long theoretical discussion but no facts about the company itself.

There is further variability in the types of company which disclose environmental information and the types of information disclosed by companies within a sector. This either indicates a lack of agreement on what users want or a lack of commitment on the part of some companies to provide the information at all.

There are some trends among those which do disclose. Companies from most industry sectors tend to provide information on energy reduction, raw materials, recycling, waste management and concern over pollution from emission of harmful substances.

The building materials and merchants and engineering sectors give the most substantive statements on the environment. Those in the oil and gas industries show a greater tendency to disclose the costs and provisions linked to environmental protection – not surprising, given their high media profile.

"The picture being formed is that companies in all lines of business can find justifiable reasons for environmental protection activity," say the report's authors. The assertion of many companies taking part in the survey that the environment was "not applicable" was hard for the authors to accept.

Disclosures were listed in the banking sector (on the sourcing of sustainable paper supplies), as well as media, leisure, telecommunications and transport sectors.

The curse of variability also afflicts the increasing number of separate environmantal reports. Within the sample of about 100 companies, nearly 50 do this now or plan to do it in the near future – but 12 of these turn out to be one- to four-page supplements containing no more than would normally appear in the annual report.

The rest have plenty of space to give a wide range of data and the reports surveyed disclose up to 24 types of information – with an average of 11 covered by each. But again there are disappointments in terms of the rigour of the data – only 25 per cent compare their performance with pre-set targets.

If users of accounts are looking for assurance that the figures included in such reports are correct they will have to look hard. Of this sample of special reports published separately from the annual report and accounts, only 26 per cent mention an external audit or verification of the information.

Because of the lack of historical data, for companies or – more important – for sectors, meaningful comparisons are rare. "Until such times as environmental reporting has matured to the stage where there is a substantial amount of historical information and a free flow of information on environmental matters the usefulness of any information is limited."

Available from Company Reporting, 68 Dundas Street, Edinburgh, EH3 6QZ. Price £150. Tel: 0131-558 1400.

Out on a limb

Nearly one in four FT-SE 100 companies publishes a separate "green" report – a growing trend among leading companies which recognise the impact their businesses have on the environment. Most explain why the report is needed. The chief executive of BAA, for example, says: "With seven airports that account for 73 per cent of the UK's passenger air traffic and 83 per cent of air cargo, ours is a complex business. Our operations ... can affect the environment in many different ways."

While most such reports give data on the big issues – pollution, use of the landscape, global warming, waste and recycling – Company Reporting's survey reveals many other types of disclosure. For example, 5 per cent of the sample discussed the use of live animals in testing programmes, and 14 per cent the effect of their activities on the quality of the public water supply.

More than four out of 10 told users of the report – which can include a wide range of interested parties beyond the shareholders – about the visual impact of building programmes on the landscape or townscape. And nearly half the sample looked at the noise generated by business operations.

Such reports, when comprehensive, give users an insight into the environmental risks taken by a company – and the risks society faces as a result of the business. This fits a growing trend in which financial reporting aids general risk management.

Separate environmental reports

Publication issued within last 12 months

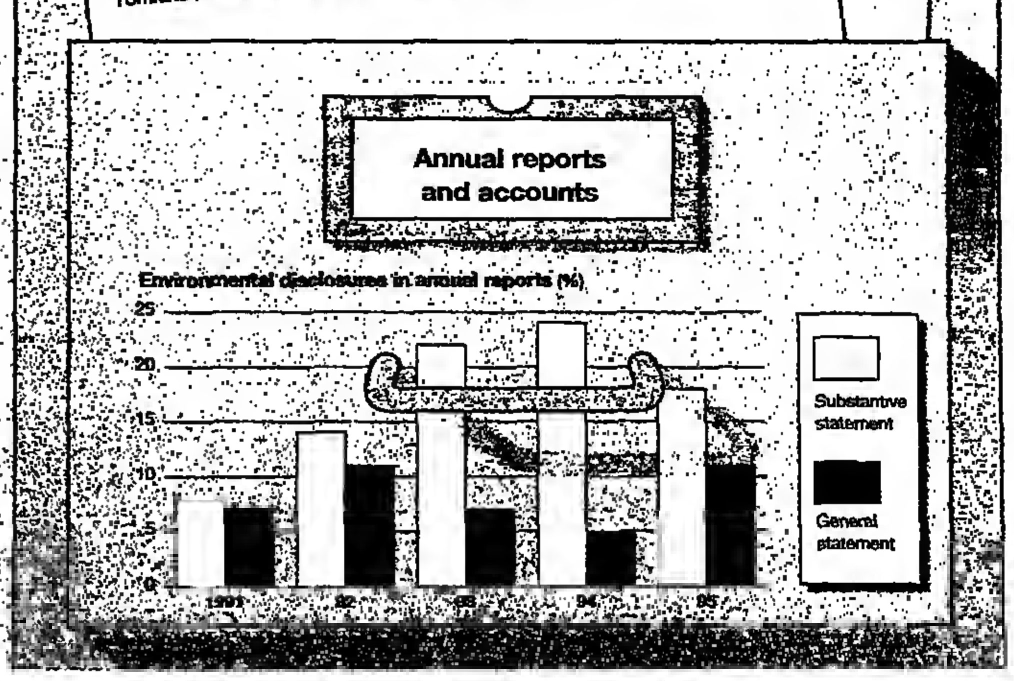
Allied Domecq, Argos*, Argyll, BAA, BOC, Barclays*, Body Shop, British Airways, British Gas, British Petroleum, British Steel, British Telecommunications, Cable and Wireless, Cadbury Schweppes, Courtaulds, East Midlands Electricity, Enterprise Oil, Glaxo Wellcome, Guinness, Imperial Chemical Industries, Land Securities, Lloyds TSB, Midlands Electricity, National Power, National Westminster Bank*, Northumbrian Water, Peninsular and Orient Steam Navigation, Pilkington, PowerGen, Rank Xerox, Reckitt & Colman, Redland, Scottish Nuclear, Severn Trent, Shanks & McEwan, Sun Alliance*, Thames Water, Thorn EMI, United Utilities, Vodafone, Yorkshire Electricity, Yorkshire Water

Publication not issued in last 12 months but planned for 1996

Abbey National*, Boots, Marks and Spencer, National Grid, Northern Electric, Rexam, Scottish Power

FT-SE 100 companies for which no publication issued in last 12 months or planned for 1996

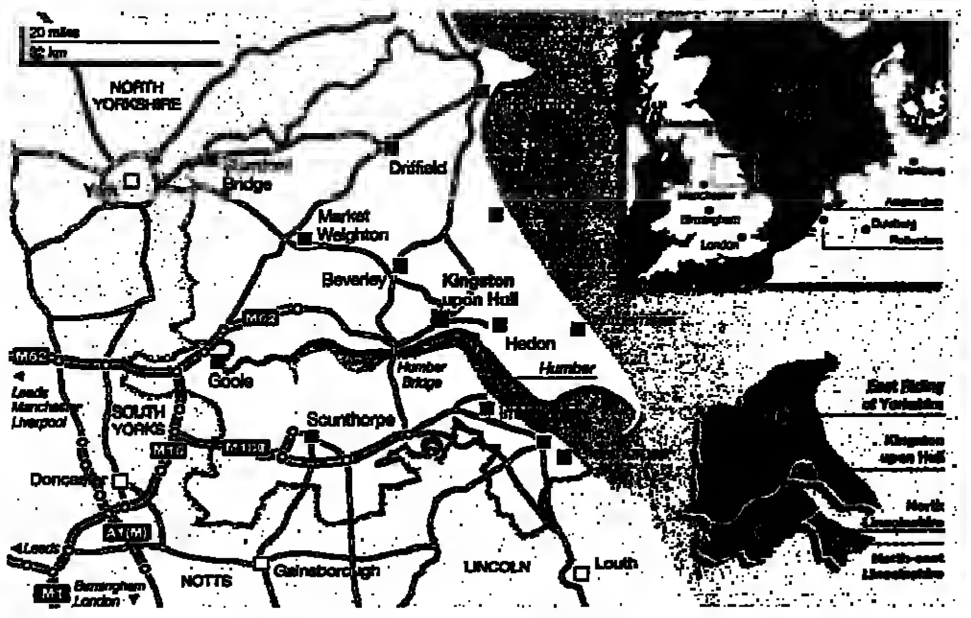
3i, Asda, Associated British Foods, BAT Industries, BTR, Bank of Scotland, Bass, Blue Circle Industries, British Aerospace*, British Sky Boardcasting*, Burmah Castrol, Burton, Carlton Communications, Commercial Union*, Cookson, Dixons, GKN, General Accident, General Electric, Granada*, Grand Metropolitan, Great Universal Stores, Greenalls, Guardian Royal Exchange*, HSBC, Hanson, J Sainsbury, Kingfisher, Lasmo, Ladbroke, Legal & General*, Mercury Asset Management, Pearson*, Prudential*, RMC, RTZ, Rank Organisation*, Reed International*, Rentokil, Reuters, Rolls-Royce, Royal Bank of Scotland*, Royal Insurance*, Schroders*, Scottish & Newcastle*, Shell Transport & Trading, Siebe, Smith & Nephew, SmithKline Beecham, Smiths Industries*, Southern Electric, Standard Chartered*, TI, Tate & Lyle, Tesco, Tomkins*, Unilever, Whitbread, Williams, Wolseley, Zeneca



THE HUMBER ESTUARY

Geography bolstered by economics

One of England's more peripheral areas has suddenly gained a new central role astride the European Union's northern trade routes, writes **Peter Martin**




Grimsby's new fish market is the most modern in the world
Picture: Grimsby Evening Telegraph

From the railway line, travellers to Hull find their view overwhelmed by the Humber river: silver-grey, misty, broad, empty. It is the striking feature of an otherwise unremarkable landscape, yet the towns along its banks have turned their backs on its symbolic unifying potential.

The two-decade-old attempt to create an administrative entity – Humberside – to reflect what to outsiders must have seemed the economic logic of the region was formally laid to rest earlier this month. Like the under-used bridge that links the north and south banks of the river, the county of Humberside won little enthusiasm from its citizens. Now, they are again divided up among smaller administrative bodies which reflect the historical split between north-bank Yorkshire and south-bank Lincolnshire and the civic independence of Kingston upon Hull.

No administrative reorganisation can undo the central fact of the region's modern geography, however. The river that lies at its heart points directly at Britain's principal trading partners, the markets of northern and central Europe.

From being one of England's most isolated regions, Humberside has suddenly acquired a new central role – not so much within Britain itself but astride the northern trade routes of the European Union. The productivity revolution in its ports since the abolition of the National Dock Labour Scheme in 1989; the fast, empty roads along the estuary and across to the English heartland; the air cargo links to KLM's airfreight hub in Amsterdam – all these give Humberside a definite advantage in serving European markets.

Through the port of Immingham, Ciba's Grimsby plant can ship its pharmaceutical ingredients to central Europe in 12 hours and to Basle, the group's headquarters, in 20. If Darby Group in Scunthorpe – which makes specialised architectural glass, such as the side-walls of department-store escalators – gets an urgent order on Friday lunchtime, it can have custom-made glass panels on-site in northern Germany by the time construction work starts on Monday morning.

Taking advantage of these easy connections means drawing on such characteristics of the 1990s British economy as low labour costs, flexibility and rising productivity, all well represented on Humberside.

It also means tackling the endemic national problems – poor education, for example – which exist here with a particular regional twist. One big local employer says that in Hull, at least, there is a cultural reluctance among male teenagers to take school-work seriously, an attitude that perhaps has its roots in the inherited memories of easy access to unskilled work in docks and fisheries. Those jobs are – mostly – gone, but their legacy is an instinctive preference for the male world of physical activity and a mistrust of the education that these days is an essential qualification for access to work.

The regional economy is no longer dominated by traditional industries nor by the now departed handful of big employers, such as British Steel at Scunthorpe. Instead, there is a wider mix of activities, though two or three industries stand out. These include chemicals, pharmaceuticals and their related support services; food processing (including the fish handling which survives the loss of the fishing fleet itself); light engineering; and regional service businesses including retailing and transport. White-collar service industries play little role in the Humberside region: companies that need lawyers, accountants and serious banking skills go to Leeds or London.

The chemicals plants have been greatly helped by geography: the south bank of the Humber, traditional farming country, has had little in the way of housing development. So a big strip of land along the estuary, on the outskirts of Grimsby, has been reserved for chemicals or pharmaceuticals operations, with few houses nearby. This greatly eases the task of getting planning permission for new developments.

The strip now contains companies such as Ciba, Conoco, Courtaulds, Allied Colloids and Tioxide. There are two electricity generating operations, owned by PowerGen and the new independent, Humber Power. Across the river, there is BP. "This region hasn't been given, nationally, the credit it deserves for its rapid industrial growth," says the boss of one of these plants. Attention is usually focused on such better-known regional centres as Runcorn or Teesside, he says, but the Humber deserves it just as much.

The local council has offered an understanding home to such businesses, and the process of getting the necessary permissions, though not always trouble-free, has at least been swift – a marked contrast to practices elsewhere in Europe. It remains to be seen whether the new pattern of local government is able to offer the same advantages.

The industry is building up the infrastructure of specialist independent craftsmen needed for maintenance and repairs in process engineering plants, though they are still in shorter supply than in more established homes of the chemical industry further north. Locally hired staff are usually in the semi-skilled grades, or are trained up to the skills necessary for running the plants. For the more specialised jobs – plant managers, chemists, engineers – employers turn to the national market.

Though it is sometimes difficult to persuade people to move to an area seen as isolated, the quality of life is good and middle-class housing very cheap, so retaining labour is easy.

Companies with their head offices in the region – such as Northern Foods, Bemrose, the calendar and business gifts specialists; or Cattles, the consumer credit lender – do not find the location a particular problem. "I regularly take the 7.30 train from Doncaster for a 9.15 meeting in the City of London," says Rodger Booth, exective chairman of Bemrose, which is based in the prosperous market town of Beverley, north of the river. "And I fly from Manchester to Chicago many times a year – it takes two hours to get to Manchester airport."

Unemployment in the region is still above the national average, and the Hull Daily Mail regularly carries stories of the problems of run-down housing estates, teenage vandals and urban distress.

But Humberside has survived the most difficult years in its transition from traditional industries. Its new local anthorities inherit a region with a refreshed economic role. The task now is to retain the sense of regional unity which the old council helped to foster while gaining efficiency and greater local responsiveness from the new, more focused councils.

■ **THE RIVER AND ITS PORTS:** by Ian Hamilton Fazey

Busier than the Thames

A mixture of factors have quietly made the Humber estuary ports the busiest in Britain

Almost without being noticed, the Humber has become Britain's busiest trading estuary. Dennis Dunn, a director of Associated British Ports, who is in charge of the north-east Lincolnshire ports of Grimsby and Immingham, puts the estuary's total throughput now at about 66m tonnes s year.

The bulk goes through ABP's four Humber ports and the rest is accounted for by independently owned river wharves. The total, Mr Dunn says, is slightly ahead of the Thames estuary, previously the busiest, and is likely to continne to grow.

Moreover, growth seems to have been little affected by the Channel Tunnel. According to Mike Fell, director of ABP's Hull: "The channel tunnel has taken some longer distance traffio to southern European destinations such as Italy, but its main effect has been to depress freight rates on the short haul routes. But the tunnel has limited capacity and, once it is full, prices will rise again."

Geography and economics account for the Humber's surging fortunes. As Mr Dunn says: "It is as far north as yon can get for reliable overnight crossings to all the main north European ports. What then decides where a lot of our business goes is inland distribution costs compared with ports in southern England."

Techogrsph-monitored restrictions on truck drivers' hours have also made the road networks on each side of the North Sea critical. Thanks to dual carriageways and motorwsys, Hull, Grimsby and Immingham are all about an hour from the junctions of the A1 and M1 with the M62. Goole – ABP's fourth Humber port – is even better placed because it is 50 miles from the mouth of the Humber at the junction of the M62 and M18 motorways.

On the European mainland, Rotterdam – with its road, rail and inland waterway connections to the heart of the continent – remains the Humber's most important destination, although sailings are also common to Scandinavia, the Baltic and Hamburg.

Hull's port shows the impact dramatically. It has more than doubled its throughput to more than 10m tonnes of freight e year in the last 10 years, with 94 per cent of its trade with EU countries and 52 per cent of it unitised as containers or trailers, and Rotterdam the main destination.

Immingham's role is as the Humber'e bulk workhorse, eccounting for nearly 45m tonnes of cargoes such as oil, grain and chemicals. Growth appears phenomenal – from 7m tonnes in 1964, before Britain joined the EU, and 28m tonnes in 1985.

The changing nature of goods traded has also driven growth. Goole's old record was in 1961, when it exported 1.6m tonnes of coal. "We had our best year for 35 years last year, witb 2.3m tonnes handled," says Colin Silvester, the port manager. "Not a single tonne of coal was exported." Today's traffic is timber, whisky, paper, steel and Renault cars. One shipper sails his vessels between Goole and Duisburg, offering short inland haulage at each end into UK and German manufacturing heartlands.

Toyotas from Derbyshire are exported via Grimsby

Coal also used to figure prominently at Grimsby and Immingham but no more. Apart from fish, Grimsby exports Toyotas from Derbyshire and imports VWs, Audis, Seats and Skodas.

On top of all this, abolition in 1989 of the National Dock Labour Scheme, which gave dockers jobs for life, has liberalised labour markets and enabled ABP to quit stevedoring which is now done more productively by independent companies or the shippers themselves. One result is that ABP employs only 300 at Hull, e similsr number st Immingham and Grimsby and 80 at Goole. But there are 10 times as many jobs in each port snd these numbers are growing.

All this is encouraging continuous and significant investment. In Hull this has amounted to £60m by ABP and £40m by other companies in the last three years. ABP's Immingham total is £45m in the last two years alone, while Conoco has put £600m in 10 years into its plant there. Even

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■ LOCAL GOVERNMENT: by Ian Hamilton Fazey

Artificial county scrapped

Older local loyalties have been strengthened by the abolition of Humberside

When Amanda Spalding moved from Sheffield to become Humberside's bead of economic development in 1994, she says she could not believe the lack of co-operation.

Humberside had been recommended for abolition by the government's local government commission and its supporters were fighting to save it. Politicians in tha other camp were fighting equally hard to ensure the county was broken up into smaller local authorities.

In the end, the abolitionists won, helped by strong popular feeling. Humberside was an artificial creation which arose from Britain's local government reorganisation of 1974. On the north bank of the Humber, it had removed natural-born Tykes from Yorkshire. Yellow Bellies – as their opposite numbers on the soutb shore were called by the Tykes – were cut out of their native Lincolnshire.

On April 1, Humberside was abolished and replaced by four new councils: Kingston upon Hull and the East Riding of Yorkshire on the north bank; North Lincolnshire and North-east Lincolnshire on the south.

Kingston upon Hull used to be a county borough in its own right before 1974, so the change represented virtually a return to old times – a city of about 270,000 people. East Riding, however, is not the East Riding of the Yorkshire of old. Its boundary runs westward from Flamborough Head and Bridlington to Stamford Bridge, the battlefield five miles from York.

It then swings south to take in Goole, which used to be in tha pre-1974 West Riding, to form a vast local authority, home to 302,000 people widely spread through 20 towns or villages.

On the south bank, Grimsby and Cleethorpes – which 10 years ago were fierce opponents of each other as district councils within Humberside – have merged into a 165,000-strong community and form the bulk of North-east Lincolnshire.

North Lincolnshire, its neighbour to the west, is based mainly on the steelmaking town of Scunthorpe hnt is spreading its staff through several villages to try to pull its 150,000 people together.

The widespread, and previously pent-up desire to escape from Humberside is bound to have an impact on the way in which the new authorities condnct operations in their first years. Hints came within hours of their formation on April 1 when East Riding's economic development, marketing and tourism committee met et Beverley, Humberside's former county town.

Yorkshire TV filmed the new councillors toasting East Riding – in local mineral water from the Yorkshire wolds, of course. Mrs Diana Wallis, the chairman, made encouraging comments about being closer to the people and improving everyone's quality of life.

However, tha meeting deferred a decision on contributing to a business advice agency in Hull so that it could ponder whether it was the new council's job to support an organisation that might help people in Hull – even though the agency's remit covered a travel to work area that included East Riding.

Feelings can run high on such issues. The people of Cottingham, Willerby and Hessle on Hull'a western boundary were glad to be delivered from Humberside but certainly did not want to be handed over to Hull.

More than 800 of them packed into Haltemprice sports centre to make their feelings known when the issue came np for consultation.

On Cleethorpes sands: teaming up with Grimsby   Picture: Tony Andrews

"Everybody expected the government to do the sensible thing and extend Hull's boundaries to include a natural Conservative area. They didn't," says Steva Scully, who has transferred from beading information services for Humberside to a similar job for East Riding. "We have now set ourselves the task of ensuring these communities are never lost from the East Riding. This is where local people want to stay."

There are anomalies, however, sucb as people in the same street on the outskirts of Hull who pay a different rate of council tax from their neighbours because the new municipal boundary divides them. Sainsbury and Asda bave supermarkets on each side of the city which also straddle the divide.

Mr Scully admits tbese anomalies will bave to be sorted out, but believes no large changes are likely, even though a new Parliamentary constituency is going to have e presence in eacb new north bank authority. "What will happen in the short term is that we will all turn our backs on each other for o while. When the dust has settled, we will start working together," be adds.

Most think it will take about 18 months for each council's urge for self-assertion to be worked out. However, Ms Spalding, who is now North Lincolnshire's director of development and environment, believes co-operation between the new councils will be better than with the former county.

"The qnestion now is how to preserve estuarial unity on the development of trade and inward investment, whlcb remain our big problems. We all need a more diverse economy. There has been £700m spent on road infrastructure in the last 15 years. In some ways it is too good because too much goes whizzing straight through from the ports."

Chris Haskins, chairman of Northern Foods, thinks Humberside county council at least did a good job on strategic development and made the Humber estuary an economic entity. "As far as Europe is concerned, the Humber is Britain's northern gateway," he says. The old county promoted this and many in the private sector are worried that the momentum the county achieved will be lost.

Ms Spalding says all the new local authorities are alive to this and she points out that some bodies not controlled by the defunct county council will continue. The most important of these are Humberside training and enterprise council and Hull and East Riding chamber of commerce.

The most important new institution in promoting the sub-regional economy will be the Humber Forum, a company limited by guarantee and the successor to a partnership between public and private sectors which originally developed the "Gateway to Europe" concept for tbe estuary. The forum's members are the four local authorities and the Tec, witb associate status being given to the Confederation of British Industry, the Institute of Directors, all local chambers of commerce, sbipping and trade, as well as the government office for Yorksbire and Humberside.

The abolition of Humberside as a county has brought about a fragmentation that may be good for local politics but may not help in terms of seeing Britain's main northern trading gateway within a broader European economic perspective. "The critical concept in terms of trade and economic development is that the Humber unites, rather than divides us. We have to hang on to that," says Ms Spalding.

■ GRIMSBY AND FISH: by Ian Hamilton Fazey

Catch 22 situation

A large new market hall has been built. But it will deal mostly in fish landed elsewhere

It is soon after dawn. The fish have been laid out in large boxes – plastic these days, not the traditional wood. At the appointed hour, small groups of buyers in white overalls, coats and hats stop their inspections and converge on the two auctioneers, each standing by a cluster of boxes for sale. The auctioneers call their first prices and the hubbub of Grimsby's daily fish auction begins.

Nods and winks are rare. More likely, a buyer will stand beside or near the auctioneer to tap his ankle with e foot, to tug a sleeve, or to whisper through cupped hands that a certain price will do. The deal is struck and noted, the buyer pulls paper sheets bearing his name from his pocket and scatters them like confetti over his purchases. The auctioneer and his itinerant crowd of would-be customers move on to the next cluster of boxes.

With the UK fishing industry supposedly in crisis because of conservation pressures on the size of catches and because of EU quotas, this hive of commerce and industry is a surprise. So is the auction hall, a new 80,000 sq ft, L-shaped shed, 235 metres long on its largest dimension by 25 metres wide, and the most modern in the world. Auctions started there on February 29 but it will not be opened officially until next month.

Grimsby's survival as a top fishing port – and its ambitions to remain one – rest on these new buildings Yet, fish caught by the port's fishermen will play only a small role in the process.

The outside of the long part of the L-shaped hall does open on to Grimsby's famous fish dock, which could once be traversed on foot across the decks of tightly packed vessels. But now it is mainly open water, and much of the fish sold in the market comes overland from Scottish or Cornish ports. The L-shape of the anction hall allows optimum access for refrigerated trucks on its landward sides. This is where an increasing amount of fish are brought to the market.

The hall shows why Grimsby has a future in fishing where six years ago it had none. It represents a marketing vision: Grimsby had to be in fisb rather than fishing. Lnckily, the port had almost everything it needed to make the vision a reality – fishermen, auctioneers, merchants, salespeople, dock services, ship repairers, food processors, refrigerated cold stores, and a century and a half of commercial culture and tradition.

> **The old fish market used to be called Pneumonia**

The problem was that the industry – which employs abont 7,000 directly in and around the town, with another 20,000 indirectly dependent – was fragmented into often competing groups. The buildings housing the old fish market were old and incapable of meeting ever-higher hygiene standards. They were due to be shut down, killing the industry in the town.

Led by Mr Frank Flear, the founder of Bluecrest Foods, all sectors of the industry united to form Grimsby Fish Dock Enterprises. The ministry of agriculture, fisheries and food funded a feasibility atudy which helped to trigger EU grants of £5.34m and UK government help totalling £4.8m. Grimsby borough council lent £1.6m and Associated British Ports offered another £1m, if needed. The industry chipped in £400,000, in the form of £20,000 each from 20 shareholders in the new company.

Even so, the venture nearly failed because another £2.3m was needed and the banks were reluctant to lend. However, after e year's struggle, Mr Derek Young, the accountant to tha Grimsby Fish Merchants' Association and now the new company'a finance director, obtained e £1.6m loan from the Public Works Loan Board and work began two years ago.

It involved reclaiming nine acres of land from the fish dock and building the new market on it. The old market continned to operate, bnt under a derogation order which stayed execution while the new premises were under construction.

The town, bowever, had got its marketing package together and this was already paying off. In 1993 there was a 7 per cent increase in the 518,000 50kg boxes sold at Grimsby compared with the year before. The 1994 rise was 12 per cent and last year's 30 per cent. The new company, which gets its income by charging the market's users, had enough cash flow not to have to take up ABP's loan offer. NatWest snapped it up as a customer.

Tha prospect now is of further growth because the new market is already attracting larger numbers of fishing vessels from farther away, as well as greater quantities of fish which have been landed elsewhere but hauled overland to Grimsby in search of higher prices.

Working conditions hava also improved: fish markets are always cold but the doors of Grimsby's new one can be shut against the weather. "The old market used to be called Pneumonia, because that's what yon caught if yon worked there too long," says Mr Roger Smith, the fish dock manager. "Now we have a very good atmosphere to work in. It is already making a difference."

■ HULL: by Ian Hamilton Fazey

Blessed with strategic assets

Hull is well placed to exploit its position on the trans-Pennine corridor to Europe

Chris Haskins, chairman of Northern Foods, sums up the importance of Hull: "In a Europe driven by thriving cities, Hull is the Humber's city. It is the main centre for industry and commerce and is the shopping city for the region," he says.

Hull – or to give it its official title, Kingston upon Hull – is naturally well-placed to exploit its position as the Humber's focal point. To add impetus, it has recruited 13 marketing staff from the defunct Humberside county to run its economic development agency and has adopted an outward-looking stance.

According to John North, the new head of economic development: "Hull's is a key location on the axis linking the Transpennine corridor with northern and central Europe. The European concept of a port as a trading area is part of our vision for Hull. We hope to use the success of the port to bring in inward investment. If you are sited here, you can catch a ship in the evening and deliver a full day's production to the heart of the Ruhr by noon the next day."

Mark Jones, the agency's marketing chief, says a city is much easier to promote than a region because of the tighter focus. "Also, the very name of Humberside did not help," he adds. "One potential investor told me it was automatically equated with declining or struggling areas."

Hull, however, has its difficulties. Overall unemployment at 11.8 per cent is two points worse than the national average and there are pockets where the figure rises to 35 per cent. On the other hand, the city suffers from a tightly drawn boundary well inside its travel-to-work area. With many of its professionals and better-off workers living outside Hull, the city punches much more than the weight provided by a population of only 270,000 people.

As Ian Crookham, Hull's chief executive, puts it: "Structurally, we are a very odd city. We don't have many leafy suburbs, but we are the natural focus for the region. Moreover, unlike most other old cities, our population is not only stable but increasing slightly. We also have the best of both worlds. Where we need to, we can concentrate on estuarial issues, with no delay through having to go through county structure, while we can also maintain a vigorous local stance."

The latter approach has helped to win urban regeneration funding from the government worth £38m and to build a good working partnership with the local private and university sectors. The city centre and waterfront look good. Bellway, the housebuilder, has brought hundreds of people into the heart of the city in one impressive project that has reclaimed more than a mile of waterfront.

Barrie Matterson, the city's regeneration manager, says the next phase will be the River Hull corridor, which runs north from near the Guildhall. Plans include a barrage to control water level and to improve access by ships.

Hull's chances will depend largely on developing its partnership with a private sector that includes such corporate giants as ABP, Smith & Nephew, Northern Foods, Reckitt & Colman and Seven Seas.

Key sectors which Mr North and Mr Jones will therefore target include food and food processing, health care, telecoms, engineering, the port, and speciality chemicals.

There is a shortage of development sites, however, with two of about 150 acres the most exploitable. Medium-sized inward investments – offering more encouragement for home-grown small and medium-sized enterprises – look like being the most practicable to aim for.

Geography and economics

Continued from facing page

Goole has been managing a steady £2m a year since 1991 on items such as new hard areas for heavy vehicles, sheds and cranes.

Hull is planning to increase its one floating berth in the Humber – which allows later sailing times for roll-on, roll-off vessels, which do not have to lock in and out of the docks – to eight, and has been increasing ro-ro and lift-on, lift-off capacity within the docks to help build markets.

Meanwhile, even Hull's traditional fish trade has been doing well, with no competitive fears about the reviving fortunes of Grimsby: Hull's market takes bigger vessels from farther afield and is more concerned with bulk sales for local processing.

هكذا من الأصل

ARTS

Television in Italy/**Robert Graham**

'All's fair' in the election war

Italian television during election time is conditioned by a single Latin phrase, *par condicio*. Literally meaning equal conditions for all, the phrase is short-hand for the political parties being given a fair share of media access. It was invented two years ago by President Oscar Luigi Scalfaro when the right-wing alliance, headed by the then premier media magnate Silvio Berlusconi, had begun to enjoy monopoly control of both private and public television.

The anomaly persists of Berlusconi being a major political actor and owning three TV channels which control 45 per cent of the national audience. His appointees still run tha RAI, the state broadcasting organisation. But the three channels of the RAI now offer a brave, though imperfect, semblance of fairness. Specifically for this Sunday's general elections, television is operating under the umbrella of a cumbrous decree imposing a strict *par condicio* on coverage.

The regulations are so absurdly strict that 90 per cent of all political debate on television has been emasculated in the name of fairness. Indeed, there is something highly perverse about a political system which allows lively debate in the media at all times – save precisely that moment when the electorate needs to have issues placed clearly before them so they can chose whom to vote for. Unfortunately in a country where TV is the medium for political messages, no one is prepared to leave coverage to common sense or an informal set of guidelines.

As a result the RAI, which has just over 50 per cent of the national audience, has found itself obliged to make a formal pact with the political parties on the number and nature of election programmes. Basically these have been limited to one interview/debate slot per channel no more than three times a week.

With each of the two main political alliances containing as many as seven different parties within each alliance, the problem is how to accommodate "fairly" so many actors. Matters of fairness are further complicated by two important small parties which are not formally attached to either alliance.

Invariably political correctness has triumphed over audience satisfaction. Most election programmes, no matter what the formula, have had to accommodate a huge cast – with chaotic consequences. No self-respecting Italian politician will let a rival talk without interruption. Indeed the purpose of appearing on TV seems to be e game of proving who can speak loudest and longest.

The politicians seem convinced that loudness is equated with conviction and length with intelligence and grasp of one's material. Those politicians who are unwise enough to express themselves succinctly leave the impression of being scared of talking and being at a loss for words. Meanwhile the programme moderator/presenter only has limited authority and is frequently caught between a cross-fire of warring words, helplessly waving e clip-board full of unused questions.

Not surprisingly these programmes are long by Anglo-Saxon viewing standards. Nothing lasts less than two hours, some stretch to three with interviewers and politicians showing amazing stamina, often stuck in cramped studios.

The viewer has eight national channels to choose from – three RAI, three Berlusconi's Fininvest, and since last year two small ones owned by film impresario Vittorio Cecchi Gori. Tha big audience programmes with tha main political players are on RAI Uno and Tre, and Fininvest's TG5. The plethora of channels means one can sometimes find the same politician simultaneously on different talk-shows.

The flagship RAI Uno has seen *Porta a Porta (Door to Door)* hosted by Bruno Vespa, using tha idea of a group of guests invited to an elegant home to sit down and chat in comfortable arm chairs. Vespa, a veteran TV journalist, is a suave performer who uses an ingratiating tone to put even the toughest of questions. But be never pushes the politicians too far, leaving the impression that be and his interviewees are all part of the same establishment club.

More aggressive is Lucia Annunziata running her *Linea Tre (Line on Three)* on RAI Tre, the state channel traditionally controlled by the left and sarcastically labelled Telekabul by its enemies on the right. Annunziata is a print journalist recently recruited to run an interview programme interspersed with viewers' phoned-in questions. For the elections, the phone-in part has been suppressed for fear of offending the *par condicio*.

Also to accommodate the principle of fairness she agreed to have a veritable 11-a-side football style confrontation between the heavy-weights in the centre-left and right-wing alliances. The independent Northern League also had a representative who was obliged towards the end of nearly two hours in silence to jump up and demand to be heard. Very little blood was drawn in this encounter, a few insults were traded and little real debate was in evidence. Everyone seemed over-rehearsed and too afraid of putting a foot wrong so that the programme was bland to the point of tedium.

On Berlusconi's TG5 Enrico Mentana, the main TV anchorman, has not felt so fettered by the need to invite everyone. He has thus been able to set up a series of more individualised interviews or debates between two politicians. Mentana manages to be scrupulously fair and has an enthusiastic boyishness about his questioning. Indeed it is a shame that his election specials have lacked the kudos of those at RAI. However, be suffers from the knock-on effect of the Berlusconi proprietorship and the shameless manner in which Emilio Fede, his fellow anchorman on TG4, the second Fininvest channel, is so partisan.

Fede, nick-named "his master's voice", at times seems to embarrass even Berlusconi with his gushing propaganda and servile admiration. He makes no attempt et impartiality and is proud of his endorsement of Berlusconi's political ambitions. On the left Fede is avidly wetched, but mainly for comic valne. But there is a more serious side. TG4 pays no heed to the guidelines of the media-watch-dog commission, and during this campaign has been found guilty of excessive promotion of Berlusconi. This has merely underlined that despite the rules of fairness, the sanctions are wholly ineffective.

Opera/**David Murray**

Medea restored

Since it was first performed in 1797, Cherubini's original *Médée* bas rarely been seen as be wrote it. For it had spoken dialogue, in *opéra-comique* style; and that soon went out of fashion for serious operas. Cherubini's work fell into neglect until Franz Lachner composed recitatives (in a more modern style) for it – which took longer, of course, and necessitated wounding cuts in the original score. It is that version which bas held the stage since.

Opera North's new production restores the opera to its proper form, and it is exciting. They play it in English: with so much speech, French would be impractical without a native cast. We need not quibble about Kenneth McLeish's occasionally awkward translation, for with actor-singers like Josephine Barstow, Norman Bailey and Thomas Randle, the opera boasts all the dramatic force one could wish.

Paul Daniel conducts a tight, urgent performance, with only the cuts that Cherubini himself licensed for a Vienna production. Phyllida Lloyd's production is powerfully effective, though garish in Ian MacNeil's curious set – something like a giant plestic liquidiser, with wide steps spiralling around the outside and a murky interior in which an occasional *tableau* becomes visible. Kandis Cook has dressed Jason and all the Corinthians as effete aristocrats of Cherubini's own time, more or less; only Medea end her servant Neris are allowed plainer, more timeless garb.

For old King Creon, Bailey's veteran bass-baritone sounds a touch frail but perfectly apt, and he comes into his own splendidly in the later acts. Nicola Sharkey's brittle, soubrette-ish soprano is not very well suited to his daughter Dirce. Ideally one would like a more "classical" tenor than Randle's for faithless Jason's music, but he projects it with his usual fervent honesty. Anne Wilkens' Neris is up to her distinguished standard, and – with the help of an inspired first bassoon – delivers her great Act 2 lament in noble style.

But any *Medea* stands or falls by its heroine: and here Josephine Barstow's ferocious intensity and clever resource make her a Medea who would be hard to match anywhere. The odder features of her voice are assimilated perfectly into the character, and anyway she uses her instrument with such imaginative colour, every phrase fascinatingly weighted and driven home, that one can only watch and listen with awed gratitude.

And dismay too, of course. *Medea* is a brutal story, and Barstow does nothing to soften or sentimentalise her vengeful creation. Her art compels our sympathy for her even in murderous *extremis*. This is one of her best roles – which is saying a great deal. It is worth going a long way to see her in it.

Four more performances at the Grand Theatre, Leeds, on April 20, 22, 24 and 26; then Manchester on May 25, and Nottingham June 1.

Ballet/**Clement Crisp**

Warming up to Ashton

The Royal Ballet has just brought in a programme of Ashton ballets: *Illuminations*, *Symphonic Variations*, *The Dream*. This is good news, and will be better news when the ballets look better: easier in performance, more idiomatic in manner, with *Symphonic Variations* danced as a pleasure rather than a duty. It seems perverse that Ashton, e founding force of our national ballet, should seem in certain of *Symphonic's* central ideas – fluency of phrasing, the dance's ease and naturalness with its music – a stranger, and an over-demanding one at that. (At Monday night's first outing, two of the women were going in for their Brownie badges in semaphore and grinning.)

Symphonic Variations was made in 1946, when the Royal Ballet had just entered into its Covent Garden inheritance. It was a work owed to Ashton's mistrust of the war-time dance dramas staged for the company by Robert Helpmann – strongly shaped, but boasting more maquillage and tension than steps. Ashton's breath of mountain air, his morning of the world, was about dancing as he wanted it to be seen with his company: clear and unfussed, musically responsive, nuanced. His three women – Fonteyn, Pamela May, Moira Shearer – were beautiful, contrasted in manner, divinely themselves. What seems to me missing nowadays, is the femininity, the quiet allure, as well as the subliminal spirituality (Ashton had been reading Theresa of Avila at the time), which must shade the dance.

The present cast is able, and the company has cast off the terror-rigid precision that embalmed the choreography in earlier revivals. Let the women be more themselves – and let one of the men work hard on that glorious back-bent pirouette that was missing on Monday – and this testament to genius will be more truly itself again.

Ashton created *Illuminations* in 1950 for New York City Ballet. Set to Britten's Rimbaud cycle, it sits in the shadow of Roland Petit's ballets of the period with their heady brew of existentialism and decorative wit. Cecil Beaton's designs now look dreadfully dated (fake Eugene Berman; fudged Christian Bérard), and Ashton's parade of anarchic symbols has a winsome air, with over-much scampering.

The central figure of the Poet was made for the darkly beautiful Nicholas Magellanes, and the piece can still make sense – as it did with Ashley Page's grand assumption of the role in 1981 – when Rimbaud's youthful anger and passion are sensed et the ballet's core. Jonathan Cope, who took the part on Monday night, is a fine dancer, but one singularly unfarouche, and physically too mature. Thus the ballet lacks focus; we do not believe, as we should, that these are the hallucinatory dreams of a wild young genius. I thought Darcey Bussell lovely as the poet's Sacred Love, an ideal ideally danced.

About *The Dream*, I can but note that its atmospheric magic is getting thin. What was once witty has become laboured, the airy become leaden. The quartet of lovers go for easy laughs, though Adam Cooper – inheritor of the Stephen Jefferies Chair in making theatrical bricks without straw – has re-thought Demetrius admirably well and plays him with a stylish sense of comedy that does not disguise the real emotions which shape his behaviour. The fairy horde was bright, quick, pretty, poised on a breath of night air. Tetsuya Kumakawa's Oberon is a study in dazzling and multitudinous pirouettes: as Bottom Iain Webb is more innocent than any other player, and charming because of it. The score, like all the music of the evening, sounded well under Leslie Dunner's baton. The infant voices in "Ye spotted snakes" snatched et their one high note like drowning tots.

This Ashton triple bill can be seen on April 18, 24, May 1,4.

An ideal, ideally danced: Darcey Bussell as the Poet's Sacred Love in 'Illuminations' Alastair Muir

Theatre

Some Sunny Day

Martin Sherman's new play *Some Sunny Day* at the Hampstead Theatre is thoroughly disarming, in its scatty way; I enjoyed every minute of it – well, at least three out of every five. That had mostly to do with the A-class team of actors, who (as directed by Roger Michell) seize Sherman's fractured script between their teeth and shake it with manic abandon.

William Dudley's extremely handsome set represents the main room of a rented house in 1942 Cairo, on the verge of evacuation because Rommel's troops are expected any day now. It is temporarily inhabited by a louche-ish group of people, military or diplomatic or odder than that, all with secrets. Sherman's trick is to let us think we know just what kind of crisis-and-revelations play we are in for, and then to undermine it with a string of "revelations" so bizarre that we are left finally with no play at all – just the arbitrary surprises and the jokes.

There is a distinct feel of Snoo Wilson about it all. But Wilson's farragos of mad, weirdly logical ideas tend to float buoyantly, with the surface cohesion of sturdy bubbles; Sherman's fancies arrive like holts from the blue, wrecking the original premises and leaving only nonsensical shards behind.

We are prepared to learn, for example, that Rupert Everett's languidly attractive New Zealand reporter – embroiled in a rapturous gay relationship with David Bark-Jones's straight-arrow young officer – is something other than he seems. If he is really an alien from outer space, however (a "two-foot orange blob" when he's at home), then all bets are off: we just have a playwright playing about.

Yet until things start to fall apart, Bark-Jones and Everett make something tender and touching of their doomed affair. Sara Kestelman's Russian Grand Duchess (she isn't *that*, either) is engagingly birdlike, her bright, nervous eyes constantly scanning for danger. Corin Redgrave, the senior Brit in erotic thrall to a local belly-dancer, is imperturbably stewed to the eyeballs throughout, whilst his abandoned wife (Cheryl Campbell doing her nut, as usual) goes into virtuoso paroxysms of demented jealousy.

They are all delightful to watch. Michell succeeds in imposing a tight, effective pace on the proceedings, even while they self-destruct. I wonder how much of the play the actors had read before they signed up? It would be easy to believe that Sherman originally bad something quite different in mind, but it proved not to work, so the second half as we now see it was hastily hrewed up a couple of nights before they opened.

D.M.

INTERNATIONAL

ARTS GUIDE

BERGEN

CONCERT
Grieghallen Tel: 47-55-216150
● Bergen Filharmoniske Orkester: with conductor Emmanuel Krivine and violinist Marianne Thorsen perform Mendelssohn's overture A Midsummer Night's Dream and Violin Concerto, and Tchaikovsky's Symphony No.4; 7.30pm; Apr 18, 19

BERLIN

CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● Berliner Sinfonietta: with conductor Antonio Lopez-Rios perform works by Mozart, Mendelssohn and Respighi; 8pm; Apr 18

BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● Gothenburg Symphony Orchestra: with conductor Neeme Järvi perform Sibelius' The Oceanides, Symphony Nn.4 in A minor and Symphony No.1 in E minor; 8pm; Apr 19

BONN

DANCE
Oper der Stadt Bonn
Tel: 49-228-7281
● Don Quixote: a choreography by Valery Panov to music by Minkus, performed by the Ballet der Oper der Bundesstadt Bonn and the Orchester der Beethovenhalle. Soloists include Didier Gettliffe, Danilo Mazzotta, Irina Zavialova and Vadim Bondar; 8pm; Apr 19, 24

EDINBURGH

CONCERT
The Queen's Hall
Tel: 44-131-6683456
● The Scottish Chamber Orchestra: with conductor Ivor Bolton, tenor John Mark Ainsley and horn-player Robert Cook perform works by Britten and Schubert; 7.45pm; Apr 18
THEATRE
The King's Theatre
Tel: 44-131-2294840
● The Shakespeare Revue: songs and sketches based on the life and works of William Shakespeare, performed by the Royal Shakespeare Company. The cast includes Susie Blake, Clive Carter, Christopher Luscombe, Malcolm McKee and Jan Hartley; 7.30pm, Wed, Sat also 2.30pm; to Apr 20

HAMBURG

DANCE
Hamburgische Staatsoper
Tel: 49-40-351721
● Romeo and Juliet: a choreography by John Neumeier to music by Prokofiev, performed by the Hamburg Ballett; 7.30pm; Apr 18, 19, 22, 23

LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● The London Symphony Orchestra: with conductor Michael Tilson Thomas and pianist Jean-Yves Thibaudet perform works by Stravinsky and Ravel; 7.30pm; Apr 18
Purcell Room Tel: 44-171-9604242
● Petja Svensson and Lena Johnson: the cellist and pianist perform works by Shostakovich, Beethoven, Ingvar Lidholm, Chopin and R. Schumann; 7.30pm; Apr 18
Royal Festival Hall
Tel: 44-171-9604242
● The Philharmonia Orchestra: with conductor Riccardo Muti and the Philharmonia Chorus perform Haydn's Symphony No.48 in C (Maria Theresia) and Cherubini's Mass in D minor; 7.30pm; Apr 18
St. Martin-in-the-Fields Church
Tel: 44-171-9300089
● London Concert Sinfonia: with conductor Christopher Gayford and mezzo-soprano Emma Selway perform works by Mozart, Tchaikovsky, J.S. Bach, Pachelbel, Handel, Gluck and Purcell; 7.30pm; Apr 18

MILAN

OPERA
Teatro ella Scala di Milano
Tel: 39-2-72003744
● Les Troyens: by Berlioz. Conducted by Colin Davis and performed by the Opera Teatro alla Scala. Soloists include Vladimir Bogachov, Giorgin Giuseppini and Markella Hatziano; 7pm; Apr 19

NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● The New York Pops: with conductor Skitch Henderson perform works by Sousa, Copland, McDowell, Berlin and Bernstein; 8pm; Apr 19
EXHIBITION
The Frick Collection
Tel: 1-212-288-0700
● Greuze, A Portraitist for The '90s: exhibition focusing on the pastel portraits "Baptiste Aîné" and "Madame Baptiste Aîné" by Jean-Baptiste Greuze (1725-1805) which were recently acquired by the museum. Executed in Paris in the early 1790s, these images nf a famous actor and his wife belong to a series of portraits that Greuze painted and drew during the years of the French Revolution; to Apr 21
The Pierpont Morgan Library
Tel: 1-212-685-0008
● Through British Eyes: Images of Bermuda, 1815-1857: exhibition of drawings and watercolours mada in Bermuda during the first half of the 19th century. The works, depicting island views, were created by artists who were connected to the military during e time when the colony was of strategic importance to Britain; from Apr 18 to Aug 4
OPERA
New York State Theater
Tel: 1-212-875-5570
● The Mikado: by Gilbert & Sullivan. Conducted by Randall Craig Fleischer and performed by the New York City Opera. Soloists include Barbara Shirvis, Joyce Castle, Sondra Gelb, Dainna Heldman and Richard McKee; 8pm; Apr 18

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Sergei Leiferkus: accompanied by pianist Semeon Skigin. The baritone performs songs by Mussorgsky and Glinka; 8pm; Apr 19
EXHIBITION
Musée d'Orsay
Tel: 33-1 40 49 48 14
● Menzel (1815-1905), 'la névrose du vrai': retrospective exhibition devoted to the work of the German impressionist painter Adolph Menzal. The exhibition, organised in cooperation with the National Gallery in Washington and the Stiftung Preussischer Kulturbesitz in Berlin, comprises 47 paintings and 95 drawings; from Apr 18 tn Jul 28

STOCKHOLM

CONCERT
Stockholms Konserthuset
Tel: 46-8-7860200
● Norrköpings Symfoniorkester: with conductor Pinchas Steinberg perform works by Pettersson and Bruckner; 7.30pm; Apr 18
DANCE
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Royal Swedish Ballet: perform the choreographies Harmonielehre by Pär Isberg to music by Adams, Vier Letzte Lieder by Rudi van Dantzig to music by R. Strauss, and In the Middla, Somewhat Elevated by William Forsythe to music by Willems; 7.30pm; Apr 18, 19, 22

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Olaf Bär: accompanied by pianist Helmut Deutsch. The baritone perfoms songs by Schubert, Berg, Korngold, Kienzl end Gund; 7.30pm; Apr 18
OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Il Barbiere di Siviglia: by Rossini. Conducted by Antonello Allemandi and performed by the Wiener Staatsoper. Soloists include Ruxandra Donose, Raul Gimenez and Renato Girolami; 7.30pm; Apr 18

WASHINGTON

CONCERT
Concert Hall
Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Christof Perick and pianist Rudolf Buchbinder perform works by Putz, Wagner and Beethoven; 8.30pm; Apr 18, 19, 20

ZURICH

OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
● Samson et Dalila: by Saint-Saëns. Conducted by Serge Baudo and performed by the Oper Zürich. Soloists include Agnes Baltsa, Giorgio Merighl and Giorgio Zancanaro; 7.30pm; Apr 18

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10.00
European Money Wheel

18.00
Financial Times Business Tonight

Ian Davidson

A long tale of woe

Major's difficulties over Europe are just the continuation of a pattern dating from the time the Community was founded

Sir Roy Denman's long and distinguished career as a public servant was mostly spent on the high policy issues of European integration at the Board of Trade and the cabinet office. He played a central role in the team which negotiated the UK's membership of the European Community, then became director-general for foreign policy at the European Commission in Brussels, and later the Community's ambassador in Washington.

This experience gave him an unrivalled opportunity to observe at close quarters the story of the UK's uninterrupted failure to come to terms with European integration.

Denman's point of view is that of a convinced, even a passionate, supporter of the objectives of European integration, leading eventually to a European federation. He believes not only that Britain should have embraced the Schuman Plan for a coal and steel community when it was launched in 1950, but that it could have had the leadership of Europe. That is what he means by the title of his new book: *Missed Chances*.

Even if you disagree with Denman about the desirability of closer integration, it is difficult to deny that the story of the UK's relations with its Community partners is one of ineptitude and strategic failure. A casual reading of today's headlines may give the impression that John Major's European difficulties can be blamed on the vociferousness of a small minority of Eurosceptics on his right wing. A reading of a longer history confirms that today's difficulties are just the continuation of a pattern which has been going on since the beginning. For the first 23 years of the Community's existence, the UK remained on the outside, first as a spoiler, then as reluctant candidate for membership; and it has spent the next 23 years trying unsuccessfully to resist the trend to closer political integration.

It is a story which has been told before, most recently in Edmund Dell's book, *The Schuman Plan*. But Denman tells it with verve, undiplomatic vivacity and withering scorn. "The real British mistakes in 1950 were ones of perception. The British totally failed to understand the mood of Europe in the immediate post-war years... A wind of change was blowing through Europe, just as it had done in 1789 and 1848.

"This time it was not royalty and absolutism which were being challenged, but the adequacy of the nation state... To the British this was simply continental rhetoric. They could not bring themselves to take it any more seriously than whirling dervishes or dancing bears."

And yet, of course, the British were not totally blind to the meaning of what was being proposed in 1950: it was just that they hated it. Here is part of an official minute on a cabinet discussion of the plan: "Mr [Herbert] Morrison [deputy prime minister] said that the proposal might have been primarily economic in its origins, but it clearly had most important political implications. Sir Stafford Cripps [chancellor of the exchequer] agreed that these were the most alarming features of the proposal... There was general agreement that the French government had behaved extremely badly in springing this proposal on the world at this juncture without any attempt at consultation with His Majesty's government or the US government."

> On the subject of Europe, the political establishment has, for 50 years, floundered about in confusion, anxiety and incompetence

If there was one man who, 10 years later, persuaded the prime minister, Harold Macmillan, that the UK had to join the Community, it was Sir Frank Lee, Joint Permanent Secretary at the Treasury. Denman describes him as "the most remarkable civil servant of the post-war years".

Denman writes: "A first impression of Frank Lee was entirely misleading. He was small, bespectacled and ugly. His manner displayed none of the middle-class gentility which smooths the way for promotion in Whitehall. His appearance suggested a more than usually dilapidated, second-hand suit which had spent the night in a hedgerow. His voice was like the creaking of a rusty gate. But he spoke with force and fire, and with an intellectual clarity which few could match. To hear him laying down the law to a minister was an experience not easily forgotten."

In a report to cabinet in 1960, Lee wrote: "We cannot join the Common Market on the cheap. Joining means taking far-reaching decisions. We must accept that there will have to be political content in our action – we must show ourselves prepared to join with the Six in their institutional arrangements, and in any development towards closer political integration."

Needless to say, his simple message was not understood nor accepted then, nor at any time since. Macmillan thought Britain could sidle into the Community without taking any far-reaching political decisions, and President de Gaulle slammed the door in his face.

John Major is still trying to evade the central political choice, with his opt-outs from monetary union and the Social Chapter, and by resisting all proposals for more integration in the EU.

Some readers may enjoy Denman's fierce condemnation of Mrs Thatcher's European policies ("a product of ignorance and nationalism"); or of John Major ("a well-meaning nonentity").

Others may feel such spleen is over the top because it attaches too much significance to these ephemeral figures. After all, the central point of Denman's book is not that Mrs Thatcher had a bad European strategy, but that she had *no* European strategy to speak of; and the same goes for her successor and all her predecessors.

This is the big puzzle of the story. The British never cease to boast of their pragmatism and worldly wisdom, of the brilliance of their Foreign Office and the sturdy commonsense of their democracy. Yet on the subject of Europe, the political establishment has, for 50 years, floundered about in confusion, anxiety and incompetence. Why?

Denman cites some conventional culprits: Britain's historic trans-Atlantic connection and its endemic ignorance of foreign languages. But he focuses most strongly on the class system: "Britain never had a serious, house-clearing revolution... The result has been that Britain has largely become a cosy backwater, a backslapping, 18th-century type oligarchy, its boardrooms stuffed with clapped-out politicians, Foreign Office retreads, and sundry cronies of the Establishment."

Can the record be changed? Denman answers: "A change of government is the indispensable minimum." The fundamental question would still have to be resolved – whether the UK can be prepared to throw in its lot with a uniting Europe. But Denman believes that the chance awaiting Tony Blair to change the record "will be the biggest opportunity to befall any British prime minister for 100 years".

Missed Chances, by Roy Denman, Cassell, £25. The Schuman Plan, by Edmund Dell, Oxford, 1995, £35.

LETTERS TO THE EDITOR

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Taking part in Emu can mean wider sovereignty

From Mr Spencer Livermore.

Sir, In an otherwise enjoyable article ("Referendum for a rainy day", April 3), Robert Peston fails to provide an adequate rebuttal of the Eurosceptic argument that inside a single currency "the British government's ability to manage the domestic economy would be severely curtailed" – illustrating that the pro-European majority in Britain have been forced on to the defensive over the issue of sovereignty.

It is vital that the debate over Emu is conducted in a way relating to the world as it is, not as some would like to remember it. With the advent of an increasingly globalised economy, the abandonment of the Keynesian assumption that governments can 'manage' their economies ought to be accompanied by discrediting the idea that national sovereignty over economic policy is genuinely possible.

Far from being an abrogation of sovereignty, British participation in Emu can only result in creating a wider European sovereignty over the European economy. The current situation whereby British interest rates are set by the actions of the Bundesbank would be replaced by a situation where Britain had equal status in the European Monetary Institute/European central bank – with the opportunity to participate in setting our interest rates.

As for retaining the option of devaluation, this is a fool's paradise. Devaluation is simply a facade behind which people can shy away from required economic reform. It must surely be obvious by now that the most successful economies are those that do not devalue.

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Lack of safety net is major factor in Hong Kong's economic success

From Mr Patrick J. Wye.

Sir, Chris Patten ("Nothing mysterious about Asia's success", April 11) lists ambition, economic liberty and free trade to explain the extraordinary success of Asian countries and of Hong Kong in particular.

There is nothing mysterious about success under a well run, reasonably incorrupt system of dictatorship that ignores the requirements of a modern welfare state.

The governor is correct that the sheer will to succeed is a characteristic of the Hong Kong people.

The British people would have the same will if there was not the great safety net of the welfare state. Youngsters do not live in shop doorways in Hong Kong. They have to work. Hong Kong's economic system has resulted from the motivation of a low level of income tax and the absence of a capital gains tax, possible because of the lack of the expense of a welfare system which is considered basic to a decent life in the UK.

Accounting standards, banking supervisions, company reporting requirements – all have been below the standards of London or New York. Hence the proliferation of shell companies, deposit-taking companies and the resulting ability to hide wealth ownership. Economic liberty!

It may well be that the people of Hong Kong have not felt deprived of the numerous benefits that western nations take for granted.

It can be a delight to work in such an environment where success is not a matter of embarrassment and where affirmative action, minority interests and support for professional welfare beneficiaries are unknown.

Mr Patten will be unable to translate the success of Hong Kong to the UK should he ever become prime minister. Running a democracy is very different from running a colony.

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Contrasts in the right to criticise public figures

From Teresa Wyszomierski.

Sir, The successful libel prosecution in Singapore of American academic Christopher Lingle highlights the dramatic differences between US and Singapore views on what constitutes permissible criticism of public figures for their official conduct. Based on judicial standards established in 1964 by the Supreme Court in Times v Sullivan, it is extremely unlikely senior minister Lee Kuan Yew could have secured a conviction in a US court.

Mr Lee accused Dr Lingle of defaming him (even though neither he nor Singapore was mentioned in Dr Lingle's article. The Supreme Court noted in Times v Sullivan "an otherwise impersonal attack on governmental operations cannot be transmuted into personal criticism... of officials". Secondly, Mr Lee alleged that Dr Lingle's statements were motivated by malice, as evidenced by the author's "harsh words" and lack of remorse. In contrast, the Supreme Court held that first amendment protection for expression critical of the official conduct of public officials is jeopardised only when the statements are made with "actual malice – that is, with knowledge that it was false or with reckless disregard of whether it was false or not". Thirdly, Mr Lee argued that the severity of Dr Lingle's alleged libel was aggravated by Mr Lee's standing as a senior public official, Dr Lingle's credibility as an academic, and the legitimacy and popularity of the newspaper (the International Herald Tribune) that printed the opinion article. As the Supreme Court pointed out, the public status of the defamed official is no basis for critical immunity since it is "as much the duty of the citizen-critic to criticise as it is the official's duty to administer".

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Capital partnerships

From Mr Stephen O'Brien.

Sir, Labour's consultation document on London is noteworthy in several respects ("Capital voice might trigger conflict", April 11). From our perspective as an organisation representing business interests it is important for another reason. Labour acknowledges the value of partnerships between the private, public and voluntary sectors. The paper states that "special arrangements" should be made to ensure that "businesses and the voluntary sector are involved at all stages in the formulation of policy."

In sharing the aim of making London a better place in which to live, work and invest, we shall be reminding the party that maintaining London's competitiveness and acknowledging its position as a global centre are key elements in the governance process.

Stephen O'Brien,
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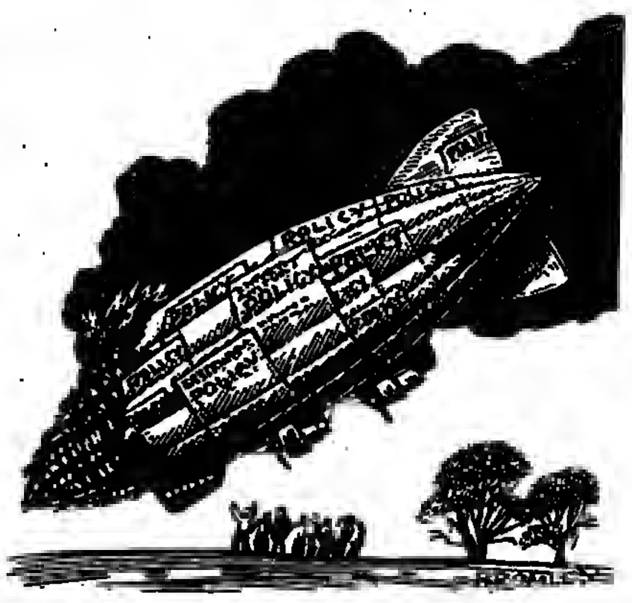
Andrew Adonis

Make a date with disaster



A celebration would be in poor taste. But they are certainly, well, murmuring excitedly as the BSE crisis wreaks havoc on the beef industry.

No, it is not the pig and sheep rearers, but the students of disaster studies. Forget political correctness. Disasters are the coming fashion, and mad cows will give it the biggest boost since global warming, the ozone layer and the poll tax.

With perfect timing, Dutch professors Mark Bovens and Paul 't Hart have published what is bound to become a seminal text for the disaster fraternity. In *Understanding Policy Fiascoes*, they enthuse about putting catastrophes to "constructive use".

"Failure in government is much more conspicuous than success," they claim, and "tends to promote organisational and political forces that advocate change".

Far from offering quick fixes for ministers and mandarins flailing amid health scares, Bovens and 't Hart question the whole notion of "policy failure". Indeed, the very use of the term "fiasco" disguises the wide range of factors needed to assess the impact of any official action in response to a complex challenge.

Consider a textbook case – the US swine flu affair of the mid-1970s which offers uncanny parallels with the BSE disaster. In 1976, an outbreak of influenza at Fort Dix, New Jersey, killed a soldier. Studies showed his virus had similarities to one in pigs – hence "swine flu", a term as emotive as "mad cow". Virologists feared that a deadly strain had re-entered the human population – on its last appearance in 1918, it killed 22m worldwide, more than the entire slaughter of the first world war.

Within months, the initial appraisals were confirmed and an official projection warned of a possible 1m swine flu deaths if nothing was done. Gerald Ford, then US president, urged Americans to get vaccinated. One problem: the vaccine available had not been proved to be safe or effective – so the government indemnified the pharmaceutical industry against claims from users.

You can guess the rest. There was no epidemic. The vaccine had dreadful side-effects. More than 4,000 people filed claims against the government for Guillain-Barré Syndrome, which affects the nervous system, and many eventually died from it. The cost to the government ran to billions of dollars in today's money.

In the US this has gone down as a classic fiasco. An official inquiry pointed at guilty men – over-confident specialists spinning theories on meagre evidence, health professionals driven by uncontrolled zeal, and many more. "Infamous", "ridiculous", "disastrous" are among the epithets in the cuttings.

Was it really that bad? My reaction was to ask: "Well, what if there had actually been a swine flu epidemic?" However, Bovens and 't Hart question this whole line of reasoning, given the flimsy evidence on which the Ford administration was proposing to act. Instead, they stand back and dwell on the underlying issue: that today's voters expect governments to solve any problem, however ethereal.

Because of this expectation, "policymakers who try but fail tend to be judged less harshly than those who fail to try". It was largely for this reason, they suggest, that the Ford administration was so anxious to act. If popular expectations were lower, governments would be less inclined to seek instant solutions to complex problems.

In the BSE case, UK ministers did try to hold back from intervention, but have been forced into action by consumers and the European Union. Billions of pounds will be spent or lost – all because of some extremely tentative scientific findings. If there is no surge in the number of cases of Creutzfeldt-Jakob disease in a few years, there is likely to be a tome on The Great Beef Fiasco.

Who will it blame? Probably ministers and officials. Perhaps "over-confident specialists spinning theories on meagre evidence". Society at large is likely to escape blame – although it is the popular demand for certainty from science and absolute food security from governments that explains recent events.

Then there is the question of timing, which Bovens and 't Hart claim is equally important in "fiasco analysis". By timing they mean two things: defining the date of a fiasco, and choosing the date from which to look back at it in judgment.

In the case of BSE, does the fiasco lie in the scares of the 1980s and subsequent government inaction? Or with the pronouncement of government scientists last month and ministerial failure to anticipate the public reaction? The blame for the supposed fiasco changes radically between the two.

As for the importance of the date of hindsight, the professors cite the case of airport construction in London and Paris. In about 1970 it seemed that the French government, with its dictatorial planning powers, had solved Paris's air traffic problem: a third international airport (now Charles de Gaulle) was under construction, while British planners wallowed in public protests and Whitehall indecision about a third London airport.

Twenty five years later, London is smiling. Air traffic forecasts of the 1970s have proved much too optimistic, while larger aircraft and more efficient traffic handling techniques make it easier than expected to absorb higher demand. Paris has three under-used international airports, created at huge social cost. London's two main airports are coping admirably; the third at Stansted in effect provides extra capacity as required and does not compete head-on.

What looked like a classic British fiasco in the 1970s is now almost a triumph in comparison with the French experience. Of course, the passage of a few more years could turn the tables should Heathrow fail to win approval for its fifth terminal and traffic congestion grows faster than expected. Policy planners may then look to the French in admiration. A fiasco, like treason, is often a question of dates.

Bovens and 't Hart end with remarks about blame. The urge to assign blame is integral to the branding of a policy or happening as a fiasco. Yet the allocation of blame is itself a highly loaded endeavour. It presupposes an ideological view of the perfectibility of government and human action. As they put it, "optimists blame people, realists blame organisations, pessimists blame the system as a whole."

Not that any of this is new. Back in the 16th century Machiavelli sought to refute the idea that everything in government depended upon luck and God. He advised his readers: "I am disposed to hold that fortune is the arbiter of half of our actions, but that it lets us control roughly the other half." A fair verdict on the mad cows, perhaps.

Understanding Policy Fiascoes. Transaction Publishers, New Brunswick, New Jersey, US 08903. $32.95.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday April 17 1996

Towards peace in Korea

Of all the flashpoints in Asia, the Korean peninsula is arguably the most dangerous. North Korea confronts severe economic difficulties and widespread hunger, but outsiders know little about how the government is coping, or even who is really in charge. The risk of explosive tension on the border with South Korea is made worse by Pyongyang's unpredictability.

Against that backdrop, yesterday's proposal from the US and South Korea for four-party peace talks including China as well as North Korea is a constructive step. It offers an elegant way round North Korea's reluctance to talk to the South, and sends a firm signal to Pyongyang that there is no point in continuing to seek direct dealings with the US in an attempt to isolate Seoul.

That China quickly indicated support for the proposal is a further bonus. It can leave North Korea in little doubt that the multi-party approach carries broad international backing – especially since Japan has also reacted favourably.

Moreover, the rest of Asia must look with relief on the fact that China and the US can still co-operate on something. Coupled with the recent unexpectedly bold moves to shore up the US-Japan security alliance, that has set a positive tone for President Clinton's Asia trip.

There is one big question: will North Korea pick up the idea? Unless it does, the other three will have no one to talk to and the tension may continue to escalate.

The alacrity with which China signalled its willingness to become involved when its relations with the US are otherwise cool has its negative implications. It suggests that China, the country which knows North Korea best, is also worried about its stability.

Some might argue that it would be best to be tougher, and that the outside world has been too willing to offer concessions to North Korea. The west, Tokyo and Seoul are bankrolling the installation of safe nuclear technology in North Korea's power sector. That has not stopped Pyongyang sabre-rattling, and there is no guarantee that it will give up its own nuclear programme for good.

But in dealing with such an inscrutable regime there needs to be some carrot as well as stick. The idea of multi-party talks protects the interests of South Korea. All parties must remain firm that this is the only way to proceed.

Having done that, there may need to be some incentives for North Korea to participate. From the US side this could involve the offer of aid as well as the opening of a liaison office in Pyongyang. From South Korea it could be a willingness to resume government to government talks on food aid.

There is no point in deliberately seeking to undermine North Korea. That would precipitate the very crisis and chaos which the region now fears. Gradual integration of North Korea into the broader international community is a daunting and delicate task. But it is a safer way to proceed.

ANC business

The South African rand came under renewed pressure on the foreign exchange markets yesterday, suggesting continuing doubts about that country's political and economic leadership. The latest run was triggered by the resignation almost two weeks ago of Mr Chris Liebenberg, a non-political banker, as finance minister, and his replacement by Mr Trevor Manuel, a leading member of the African National Congress. Yet perhaps the business community in general, and the markets in particular, should be more influenced by a move in a different direction: the decision by Mr Cyril Ramaphosa, the powerful secretary-general of the ANC, to quit parliament and become a businessman.

He explained this as a conscious move on the part of the ANC leadership to deploy more of its top people in the private sector, to reinforce the drive for "black empowerment". The aim is to give the majority black community a greatly enhanced role in business, as well as in government.

There is a real dearth of black business leadership in South Africa, not to mention black ownership, as a direct consequence of the years of apartheid rule. Black control of South Africa's listed companies amounts to a minuscule 0.6 per cent of the total capitalisation of the Johannesburg Stock Exchange. The fact that Mr Ramaphosa, widely seen as a possible future state president, should choose to lead the push for a bigger black role in business, is indicative of the importance attached to it by the ANC. Instead of the failed old idea of nationalising private companies to ensure political control, the ruling party is sending its best and brightest into the private sector. So far, so good.

Of course, there are real dangers in such a move. It is essential to keep the dividing line between politics and business clearly drawn, especially in a country like South Africa, where it has long been rather blurred. It would be quite wrong for Mr Ramaphosa to use Nail, the investment company he is joining as deputy chief executive, as a vehicle for party purposes. As a businessman, his decisions should be motivated by sound business logic.

Nail is one of the two black investment groups bidding for control of Johnnic, the Anglo-American group's property and industrial holding company, which owns important media interests. Nail already owns the Sowetan, South Africa's biggest circulation black newspaper. That may well be a big factor in the ANC interest.

If so, Mr Ramaphosa must tread with great care. South Africa needs a wealthy and vital black business community. ANC recognition of that fact is thoroughly reassuring. But the party must avoid the temptation of abusing its political power in the private sector: that would risk killing the golden goose.

Cutting tariffs

One of the multilateral trade system's greatest achievements has been to erode the high tariffs which were long protectionism's instrument of choice. That success has contributed powerfully to growth of world trade and prosperity in the past half century. Governments should now consider completing the good work by committing themselves to the goal of total tariff abolition.

The changing structure of the world economy makes that more desirable – and possible. The growth of integrated global production networks has led companies which once benefited from tariff protection to view it as an irritating impediment. That is why US and European information technology industries want a multilateral agreement to free trade in their products.

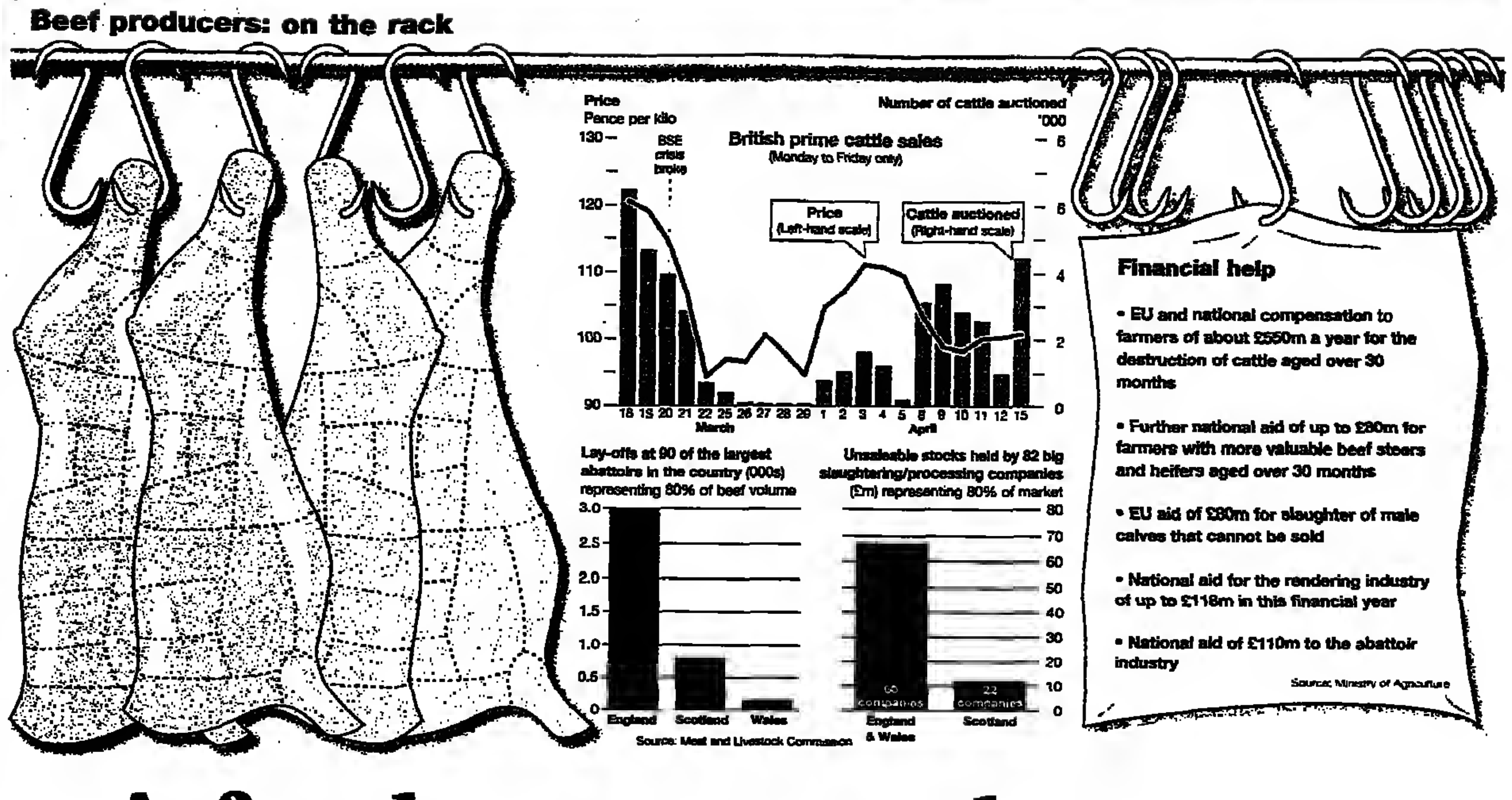
But liberalisation should go beyond sectoral approaches. The Uruguay Round commits developed countries to cut average tariffs on industrial products to 3.8 per cent. Though levels on certain "sensitive" products will remain high, tariffs on many others will be so low that they no longer provide effective protection. The case for scrapping them is cogently made in a recent paper by the Swedish Industries' Federation. It estimates that by 2000, revenues raised from EU customs duties will be exceeded by the collection costs. Most of these are borne by business, which has to devote valuable resources to complying with complex customs procedures.

Economic self-interest should prompt governments to dismantle tariffs unilaterally. A growing number of developing economies is now doing so. But most countries still view tariff cuts, perversely, as concessions, which trading partners must reciprocate. Further substantial progress on tariffs is likely, therefore, to require multilateral negotiations. That is not a prospect which most World Trade Organisation members relish. But there are sound reasons why they should consider it seriously at the WTO's ministerial meeting in December.

First, a new round of tariff negotiations would inject sustained impetus for liberalisation into the global trade agenda at a moment when it lacks clear priorities and direction. Secondly, the economic gains from tariff cuts are substantial and proven. Thirdly, further progress at the multilateral level would make it harder for regional trade groupings to discriminate against non-members.

The exercise could be made more purposeful and relevant if WTO members also agreed a target date for eliminating all tariff barriers. Such deadlines are already embodied in all the rapidly proliferating regional free trade areas, to which almost all WTO members belong. Global economic integration demands no less ambitious a multilateral goal.

Beef producers: on the rack



A further cut on the menu

The UK government has yet to prove to its European partners that it has done enough to end the beef crisis, says **Alison Maitland**

Four weeks into the British beef crisis, the rapidly moving chain of events has thrown up the most ironic of prospects. The UK meat trade predicts beef prices will rise sharply within a few weeks as a shortage of animals coincides with a recovery in consumer demand.

The shortage will be the inevitable result of the government's decision last month to remove all cattle over 30 months of age from the food chain, say industry experts.

"Following the rise in confidence in muscle meat (steaks and joints), there's bound to be a resurgence in demand from caterers, fast-food outlets and meat products manufacturers," says Mr Peter Scott, general secretary of the Federation of Fresh Meat Wholesalers.

Retail sales of beef, which halved immediately after the crisis broke on March 20, have recovered thanks largely to hefty price-cutting by supermarkets.

The Meat and Livestock Commission, the industry-funded promotional and research body, says sales have returned to about 85 per cent of pre-crisis levels. Steak and joints are selling well. But sales of mince, the type of meat which the public now associates with old dairy cows at greater risk of bovine spongiform encephalopathy (BSE), or mad cow disease, remain depressed.

Nielsen, the independent market research organisation, also finds evidence of a sharp recovery, and says consumers in the top social classes A and B are notably heavy buyers of beef. Cattle prices have picked up, as has the number being sent to market.

Speculation about a mass slaughter of the 11m-strong UK cattle herd led to forecasts of a doubling in the public sector borrowing requirement, a surge in inflation and a widening trade deficit as Britain was forced to import substitute dairy products. But the economy looks set to suffer far less than some economists predicted after the government announced a possible link between BSE and the fatal human brain disease Creutzfeldt-Jakob disease.

"It's nowhere near as apocalyptic as we originally thought," says Mr Ian Shepherdson, UK economist with HSBC Markets. "It's going to be a drop in the ocean on the macro-economic scale of things."

He says the amount of compensation now being discussed for the industry was "not big enough to be interesting". The European Union will pick up 70 per cent of the cost of the main element of compensation to farmers for the destruction of cattle, which would be spread over several years. Added together, it might add a "minimal" 0.1 per cent to the inflation rate, he said. The real worry – that the whole dairy herd might be culled – had been removed from the agenda.

This sanguine response to the unfolding drama is not shared by farmers or the meat trade. Mr Fraser MacLeod, director of the Scottish Crofters' Union, is gloomy. Consumers may be returning to beef, but only at low prices which could make it unviable for many of his cattle farmer members to continue production. "This could simply result in more people leaving the industry," he says, "leading to a detrimental impact on rural communities and the environment."

Mr Scott, of the meat wholesalers' federation, is grateful the "hysteria" has died down but insists the crisis is as serious as ever. He fears 4,000 jobs could be lost permanently in abattoirs, meat packing and transport operations because of the cut-off in animal supplies.

The Meat and Livestock Commission says the recovery in domestic demand affects only about 30 per cent of the pre-crisis market for British beef. The export market has been completely cut off by the European Union's worldwide ban on British beef and beef-based products. And the market for meat for processing into pies, sonps and sausages bas collapsed with tbe removal of the older cows which snpplied it from the food chain because they are considered more likely to have BSE.

The government and the National Farmers' Union are mounting legal challenges to the export ban, imposed by the European Commission on March 27 and endorsed by Britain's EU partners on April 1. They argue that the ban must be lifted because it is an unjustified infringement of free trade. But EU member states are demanding drastic action from the UK to prove it is stamping out tbe disease before they will lift the ban.

The destruction of cattle over the age of 30 months is due to start at the end of this month. The age is based on the fact that these cattle are half-way through the average five-year incubation period for BSE. The agent that causes the disease increases exponentially with age, so a young cow developing it would carry only tiny amounts compared with much older animals.

The government ban on cattle over 30 months entering the food chain has left animals piling np on farms without any market. Before the crisis, about 15,000 milk-producing cows were killed each week at the end of their useful lives. The National Farmers' Union says the backlog has now reached about 90,000.

Beef steers and beifers over 30 months are also caught by the ban and will have to be destroyed. The farmers' union estimates there are 100,000 to 150,000 waiting on farms.

"There is no way all these animals will be slaughtered in the first week," says Mr Ian Gardiner, policy director. This suggests that destruction will have to take place at a rate of about 30,000 cows a week until the backlog is cleared. The government plans to dispose of these cattle by rendering them down and using the remains for landfill or for fuel in power stations.

Farmers unable to sell their older cows for meat will be compensated at nearly £500 an animal. Mr Douglas Hogg, UK agriculture minister, yesterday announced additional aid of up to £80m for producers of older steers and beifers wbicb would have commanded a higher price than milk cows before the ban.

Overall, the aid package announced so far totals more than £900m. Otber elements include £118m for the rendering industry whicb has lost the market for its main product, meat and bonemeal, now banned from use in all animal feed. Slanghterhouses are also to receive £110m "to avoid a disorderly collapse of the sector".

To lift the export ban, however, the UK's European partners want to see Britain do more to rednce the incidence of the disease as fast as possible. Mr Hogg yesterday rejected speculation abont a wide slaughter of cattle in herds at high risk of BSE.

Following intense lobbying by the powerful farming unions, he said the numbers killed would probably be "in the low tens of thousands". Moreover, Britain would go ahead with a culling policy only if there were benefits such as an indication that it would lead to an end to the EU ban.

As far as the rest of the EU is concerned, Britain bas no cboice but to produce a slaughter plan for the Commission's approval by the end of this month. The intriguing question now is: who will give ground first?

EU's anger at 'les rosbifs'

The UK and continental Europe seem set for a protracted battle over how best to restore confidence in the EU beef market before the ban on British beef prodncts is lifted.

The row over beef has underlined the worst aspects of the UK's relations with its European partners. While British politicians have pointed accusing fingers at Brussels for imposing the ban, the rest of the EU is incredulous at the UK government's aloofness and slow response to the crisis.

British anger over the supposed hypocrisy of Mr Franz Fischler, the EU agriculture commissioner, who said this week he would happily eat Britisb heef, and UK threats of legal challenges to the ban have not been taken seriously by other EU states.

"The Britisb anthorities are focusing on the wrong ban," says an EU diplomat. "They shouldn't be attacking the legislative ban; they should be concentrating on the consumer boycott."

EU countries, notably Germany and Spain, harbour deep misgivings about Britain'a ability to clean up its meat industry.

"There is a major credibility problem. Member states feel the UK has, through the years, tried to minimise the issne to keep trade going. They believe Britain has been forced to take action at every turn. Finally, Europe's patience has cracked," an EU official said.

Hostility to the UK has been compounded by the fact that member states, which have seen an average 30 per cent drop in beef consumption, have been forced to take unilateral steps to rebuild public confidence. In the Netherlands, the carcasses of 64,000 British-bred calves are to be destroyed, and in France 76,000.

Any pact to end the crisis is likely to be brokered by Mr Fischler, who has already secured agreement that the EU will pay 70 per cent of the cost of antmals killed in Britain in the anti-BSE campaign.

"Our aim is to get the ban lifted," says one Commission official. "Once Britain has good scientific measures in place, we can start."

Caroline Southey

· OBSERVER ·

The golden ring of truth

■ Those queueing to see the fabulous treasures of Troy at Moscow's Pushkin Museum might be a little puzzled by the contents of the catalogue. It contains no reference to the fate of these legendary items – found by German archaeologist Heinrich Schliemann during the late 19th century – since they disappeared from Berlin at the end of the second world war.

The catalogue's Italian producers, Leonardo Arte, were acutely aware of Russian sensitivities to the treasures being spirited away to Moscow as war booty; their very existence was denied until 1991. But when the exhibition organisers ruled out *any* entry mentioning what had happened to these precious objects, the Italian publishers proffered an ingenious solution – a special chapter to be inserted as a pull-out in the catalogue folder. No deal, said the Russians.

Those who want to read the catalogue's summary of the post-1945 history of the treasures needed yesterday's *Corriere della Sera*, where it was published.

All this confirms the Russians are unlikely to relinquish the treasure, believed to be from King Priam's tomb, despite recent agreements with the Germans on the return of illegally exported war booty. With a neat piece of sophistry, the argument in the case of the Troy gold is that the orders came from Stalin and were thus perfectly "legal".

As a further precaution against any German claim, the Russians have a list of some 70,000 objects destroyed or taken by the Germans in the Soviet Union during the war – more than enough to fill a Trojan horse.

Mañana beckons

■ Spain'a many public holidays can be a nuisance, even for parties. Political ones, that is. Take José María Aznar, leader of the centre-right Popular party. Ha would like to have his investiture next week. Unfortunately the Catalan nationalists, whose vote is required to make up Aznar's majority, will be celebrating the feast-day of Catalonia's patron saint St George on April 23. Not overly enamoured of the Madrid parliament anyway, the Catalans have put off their meeting to rubberstamp an agreement to support Aznar until April 28: will the following week do for his swearing-in?

Sorry, says Aznar's Madrid-based party. That clashes with a city shut-down during May 1-2, commemorating a heroic *Madrileño* revolt against Napoleon's occupying army. As the caretaker government – in place since the March 3 elections – seems to have coped pretty well, two weeks here or there probably doesn't matter that much.

And what of departing prime minister Felipe González? He's spending the next few days at a festival where they stage the best parties of them all – in his home town of Seville.

Shadows lengthen

■ The poor old much-abused English language has been under attack for centuries. No doubt it will survive its latest skirmishes with cyberspace, but Observer winces at this sort of thing, taken from the IBM information network: "On Monay April 15 CFSOFT will finally be sunsetted. This means that the application will become restricted access" (surely that's "become subject to restricted eccess"?) "and offer no further day of announcement support."

The verb "to sunset" will go far: "The company was forced to sunset 10 per cent of its workforce, despite being part of a sunrise industry."

Dietary habits

■ This would seem to come under the "closing the farmyard gate after the mad cow has bolted" category. By now most of the world knows that scientists suspect a link between feeding cattle ground-up bits of their fellows and the onset of mad cow disease; the UK banned the practice in 1988. News of this link has finally lapped Japan's shores, where the the Ministry of Agriculture, Forestry and Fisheries yesterday asked farmers not to give their cows, sheep and goats any feed containing the meat or bone powder of their fellow herbivores – just in case. And oh yes, Japan banned British beef in March.

Pass the sushi – double-quick.

I will eat my words

■ Franz Fischler, the EU farm commissioner, may wish he'd made plain weeks ago his belief British beef was safe to eat. His proposal of the export ban on March 25 in order, he said, to restore confidence in the EU beef market, seems to have backfired. Figures from Britain's Meat and Livestock Commission show beef cattle prices are well down across the continent. Guess which country has suffered the biggest fall? Why, Fischler's native Austria.

Chop suey mess

■ Richard Harden, editor of *Harden's London Restaurants*, recently took a call from what sounded like a noisy City office: Caller: "What's *the* best Chinese restaurant in London?"
Harden: "Money no object?"
Caller: "Sounds good – what's its number?"

The Financial Times

100 years ago

Horseless carriages

The first ordinary meeting of the British Motor Syndicate, Limited, was held yesterday. Mr Harry J. Lawson, the chairman, said: "To-day I have to announce a dividend – the first in the horseless carriage industry – of 10 per cent, an interim which I hope before the end of the year will be considerably more than 30 per cent. We are the patent company of the horseless carriage industry. We have the oldest and the most valuable patents, which include all improvements in every little detail of the auto-car, and to-day we are negotiating for everything which a committee of expert engineers recommends to us as valuable in securing a motor monopoly on which we can charge substantial royalties.

50 years ago

Pact with Portugal

At last the news is released of the signing of a monetary pact between Great Britain and Portugal. This pact with our oldest Ally virtually completes our monetary agreements with Europe – though Spain, for obvious reasons, still lies ontside the family circle. The agreement with Portugal provides a basis for further trade development, including reasonable imports of a beverage highly and rightly esteemed in Great Britain.

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£938m package aims to support British livestock industry

UK to contest beef ban in court

By George Parker in London, Neil Buckley in Brussels and Andrew Jack in Paris

The UK government yesterday announced plans to challenge the European Union's ban on British beef exports in the courts, as it unveiled a package of measures worth more than £900m ($1.4bn) to support the domestic livestock industry.

Mr Douglas Hogg, agriculture minister, said he would take Britain's case to the European Court in the near future, and claimed the court could issue an interim ruling on the ban within a matter of weeks.

Meanwhile Mr John Major, the prime minister, plans to step up the diplomatic pressure in a series of meetings with EU leaders at Friday's meeting in Moscow of the Group of Seven leading industrial nations.

Mr Hogg yesterday announced in the House of Commons details of a sweeping package of measures to help the beef industry, costing £938m in its first year and over £550m in following years.

The main component is a scheme to stop cattle aged over 30 months from entering the food chain. About 15,000 older cattle – mainly dairy cows – are brought for slaughter every week and used in products such as meat pies and soup.

Under the Ministry of Agriculture scheme, farmers will be paid just under £500 for each animal, which will then be destroyed. The programme will cost £550m a year, of which 70 per cent will be funded by the EU, and will continue for the forseeable future.

Mr Hogg also announced a £110m one-off package to help the abattoir industry, which has accumulated huge stocks of unsold beef since BSE, or mad cow disease, was linked to the fatal human condition, Creutzfeldt-Jakob disease.

Of this £110m, £80m will be spent on clearing unsold stock, which will be bought into intervention at a valuation of 65 per cent of the pre-crisis market price. The remaining £30m will be paid to abattoirs according to the number of cattle they slaughtered last year.

A survey of the abattoir industry by Coopers and Lybrand, commissioned by Mr Hogg, found chronic over-capacity in the sector even before the BSE crisis began last month.

Mr Hogg said: "The substantial package of support I have announced should provide a breathing space during which companies can adjust to the new market circumstances and make rational decisions about their future operations."

The final element of the aid package is the payment of up to £80m to kill young male calves from dairy herds to prevent future beef gluts and an £80m top-up payment to specialist beef herds whose cattle normally take more than 30 months to reach maturity.

Some £118m in aid to the rendering industry, which disposes of carcass waste, was announced by Mr Hogg earlier this month.

The government's decision to challenge the European beef ban was dismissed as counter-productive by one senior EU official. "This will play into the hands of those in Europe who want to prolong the ban as long as possible."

Mr Hogg's argument that the ban was not justified – citing the comments of Mr Franz Fischler, EU agriculture commissioner, that British beef was safe – was dismissed in Brussels. "If the UK wants to challenge it, that is their right. But we are quite satisfied with the legality of it," a Commission spokesman said.

Mr Major yesterday wrote to European leaders protesting at the beef ban and requesting meetings on Friday in Moscow. He hopes to have talks with Mr Jacques Santer, the Commission president, Mr Helmut Kohl, the German chancellor, Mr Jacques Chirac, the French president, and Mr Lamberto Dini, the Italian prime minister.

Further cut on menu Page 15; Date with disaster Page 14

Italy's parties vie for Catholic support

Venomous exchanges between right and centre-left in run-up to election

By Robert Graham in Rome

Italy's political parties are fighting for the allegiance of Catholic voters in the final days of the country's general election campaign.

The two broad alliances of the centre-left and right are both claiming to be the true repositories of the Catholic vote – traditionally about a third of the electorate.

The need to win the allegiance of these voters has led to venomous exchanges between Mr Silvio Berlusconi, leader of the right-wing alliance, and Mr Romano Prodi, head of the centre-left grouping.

It began with Mr Berlusconi claiming in a television interview that his alliance, and especially his Forza Italia movement, best represented Catholic values. He also claimed 40 per cent of practising Catholics had voted for Forza Italia in the last election in 1994.

In reply, Mr Prodi, identified with the left of the Catholic world, gave an interview to the mass-selling weekly Familia Cristiana and claimed Mr Berlusconi had got rich by peddling sex and violence on his Fininvest television channels. He insinuated that Mr Berlusconi was scarcely a model Catholic, his five children coming from two marriages.

The skirmish underlines the confusion over what constitutes the Catholic vote. Since the collapse of the long-ruling Christian Democrat Party in 1992, this part of the electorate has lost its central point of reference and the Catholic Church has been divided over how to counsel voters.

The former Christian Democrats are now split into at least five groupings. One study of candidates for the 630 seats in the chamber of deputies in this election has shown 136 former Christian Democrats standing for the centre left and 117 for the right.

Those on the right, allied with Mr Berlusconi, are in two tiny parties – the Christian Democratic Centre (CCD) and the Christian Democrat Union (CDU), the latter headed by Mr Rocco Buttiglione, a Catholic philosopher with close ties to the Pope.

Both the CCD and CDU are very wary of the presence in the Berlusconi camp of Mr Marco Pannella's Radicals who favour abortion. Their presence makes it difficult for the conservative elements in the church to encourage a vote for the right.

The bulk of Christian Democrats, reformed as the Popular Party (PPI) are an integral part of the centre-left Olive Tree Alliance. The PPI has sponsored the leadership of Mr Prodi and has the clear sympathy of the progressive side of the church.

The Catholic vote on the left can tolerate an alliance with the Party of the Democratic Left (PDS), the dominant element in the Olive Tree. But the PPI is reluctant to endorse a formal pact with the old hardline communists of Reconstructed Communism.

There is thus no easy outlet for a catholic voter except a compromise.


Silvio Berlusconi: accused by centre-left rival of getting rich by peddling sex and violence

Lebanon ceasefire plan

Continued from Page 1

direct challenge to the fragile political consensus that Mr Hariri has established since he assumed power in 1992. Mr Hariri has overseen the disarmament of all Lebanon's warring factions but Hizbollah, widely seen throughout Lebanon as legitimate resistance to foreign occupation, has remained armed.

Syria, which maintains a strategic alliance with Iran, acts as a conduit for logistics to Hizbollah and has considerable influence over its activities.

Agreement by Mr Hariri to the Israeli-US terms of ceasefire would be seen as a serious compromise of Lebanese sovereignty and its right to resist occupation. It would inevitably provoke an internal political crisis in Lebanon and Hizbollah, a Shia Moslem fundamentalist group backed by a large part of the Lebanese population, would fiercely resist being disarmed. Its support appears to be growing.

Yeltsin chases votes

Continued from Page 1

toward the symbols and promises of the left, Mr Yeltsin earned a warmer endorsement from Russia's financial elite in Moscow.

Mr Vagit Alekperov, president of Lukoil, Russia's most powerful oil company, forcefully backed Mr Yeltsin and warned that a communist victory could cripple the country's nascent market economy.

"All my efforts are aimed at ensuring Yeltsin's re-election," Mr Alekperov said. "If Yeltsin's main rival, the communist leader Gennady Zyuganov comes to power then it will bring a change not only of the country's political course but also of its economic course."

The oil baron warned that the communists' vague talk of renationalisation had already frozen the price of Lukoil shares and could have international ramifications because of the substantial western stakes held in some Russian companies, including Lukoil.

THE LEX COLUMN

Smoke signals

Looking at Philip Morris' profit figures, it is easy to forget the US cigarette industry is being forsaken by consumers and besieged by litigants. Of course, the marginal increase in US cigarette sales in the first quarter was a hiccough in a steady decline. But given that Philip Morris achieved a 7 per cent increase in shipments, against a market increase of just 2 per cent, its competitors are taking the pain. Meanwhile, its international operations are growing far faster than the likes of BAT Industries.

Indeed, the food business, which was supposed to provide the higher growth and market rating to off-set an ailing tobacco business, is holding it back. A demerger is firmly off the agenda, following Mr Bennett LeBow's failed attempt to break up RJR and Nabisco. But given Kraft's lacklustre performance, and the lowly rating it would attract, it is unclear whether there would much hidden value to be unlocked by a split.

Nevertheless, Philip Morris' 37 per cent discount to the market, based on its prospective price-earning ratio, looks excessive. Even after capital expenditure and an expected 20 per cent dividend increase, the group should produce $3.4bn of free cash flow this year, which will be used for earnings enhancing share buy-backs. This should be enough to off-set the smoke of litigation.

Source: FT Extel

South Africa

Mr Trevor Manuel, South Africa's new finance minister, says his job is like playing hopscotch in a minefield. What he does not say is that some of the mines are already exploding; the rand is taking a sustained battering, which shows few signs of abating. The recent fall owes less to economic fundamentals, and more to speculation mixed with a vague, probably unjustified lack of confidence.

This is a baptism of fire for Mr Manuel. But it is also a chance for him to seize the initiative – by taking the next step in lifting South Africa's exchange controls. With the markets desperate for a convincing sign of Mr Manuel's intentions, now is the time for a bold move. If you are planning to hop among mines, there is something to be said for setting some off before you start.

Southern/UK utilities

What is Southern Company up to? Last summer it snapped up South Western Electricity, paying a healthy premium for control in the process. At first glance, selling a big minority stake less than a year later looks like financial madness. But it might not be as silly as it looks. Prices have risen substantially since Southern's bid for Sweb – one of the less absurdly inflated in the sector. And Southern should not be short of buyers – even ignoring the option of floating the stake to passive investors. One possibility would be a US power company, under pressure to invest abroad but too small to gobble up a whole company on its own. Another would be a UK generator especially if it could wangle a deal giving it effective control of Sweb's supply business, adding to its vertical integration on the cheap.

Just as interesting is what Southern might do with the proceeds. The company has formidable resources – and has recently secured an increase in the regulatory limit on its freedom to invest overseas. And given that it has ruled out the most obvious modestly-sized bid it might make – for South West Water – there is a good chance that it is after something big. But as those who took a punt yesterday on a Southern bid for South West now know, guessing-games like these can easily result in burnt fingers.

Redland

Redland's perennial problem has been that its ambitions exceeded its cash flow. The reorganisation of its roof tile interests goes some way to remedying that. By merging its wholly-owned roofing operations with those of Braas of Germany – in which it has a 51 per cent stake – the combined business can use Braas's tremendous cash flow for expansion. Redland is also extracting a one-off £220m payment, and in future it can force Braas to pay out 75 per cent of its profits compared to 40-60 per cent historically. Taken together with last year's dividend cut and the imminent sale of the brick division, Redland will be left with a strong balance sheet, a better capital structure and the wherewithal to expand in aggregates and developing markets.

But this deal is not a panacea. The immediate impact on profits will be limited since Redland expects no cost savings from the reorganisation. Nor does it reduce Redland's exposure to a depressed German construction market. And while the transaction mitigates Redland's advance corporation tax problem, the group still needs a fresh source of UK earnings. Buying either Camas or Bardon would solve that and make strategic sense. The fact that Redland has explicitly ruled this out shows how sensitive it is to charges of overpaying in the wake of the Steetley acquisition. But it would be a shame if Redland allowed past mistakes to dictate its future strategy.

Tesco

Tesco's management must feel aggrieved by investors' response to yesterday's profit figures. The food retailer announced it was toning down dividend growth due to increased investment opportunities in its core business; the response was a markdown of its shares.

Of course, some cynicism is deserved. Around £100m a year is to be pumped into a continental European business which has made a good impersonation of a black hole. So far it has swallowed £340m, and generated a return of just 4 per cent last year. And it is going to be a long, hard slog to acceptable profitability. Nonetheless, £600m a year is targeted for UK retailing, where returns have been excellent, and Tesco's smaller store concepts offer substantial growth opportunities. Besides, management deserves credit for Tesco's recent performance. The Clubcard incentive scheme has proven extraordinarily successful. Tesco has achieved volume growth without sacrificing margins. And with the help of a little inflation, sales were up 7 per cent in the first five weeks of the fiscal year, although the Clubcard was launched during the comparative period in 1995.

Petrol price wars could rein in profits by £30m, but the shares are still trading at a 15 per cent discount to the average market price-earnings ratio. A discount is appropriate, given below market growth rates. But Tesco deserves to be rated at least as highly as its weakened competitor J. Sainsbury.

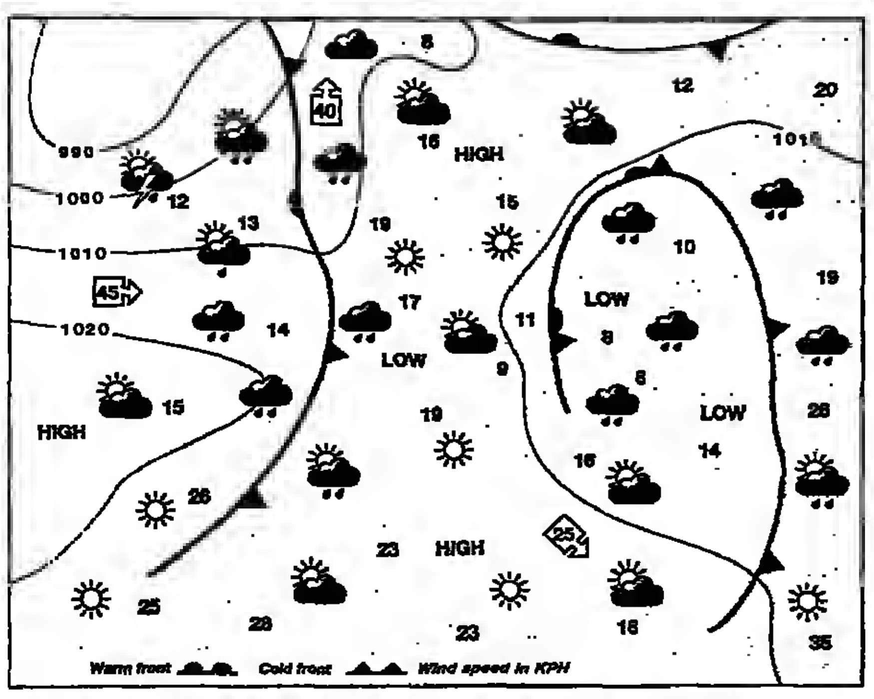
FT WEATHER GUIDE

Europe today

Cold air from the Atlantic will move across the British Isles, bringing showers, sunny spells and windy conditions to much of the region. A wide area from Spain through to France, the Benelux and the North Sea will be cloudy with showers, with southern France having the most rain. The south of the Iberian peninsula will remain dry with widespread sunshine, and high pressure will cause sunny, mild conditions in most of Germany, Poland and the Baltic states. Low pressure will bring widespread cloud and rain to the Balkans, Ukraine and Turkey.

Five-day forecast

A wide area from Portugal, through France and up to Scandinavia will be cloudy with showers. Central Europe will remain dry and sunny. The eastern Balkans will be wet until Saturday, while western areas will become dry with occasional sunshine. Springlike conditions will prevail in Poland and the Baltic states, and Greece will have some showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	sun	34	Beijing	fair	15	Caracas	fair	29	Faro	sun	22	Madrid	fair	22	Rangoon	fair	34
Accra	fair	32	Belfast	thund	12	Cardiff	shower	11	Frankfurt	sun	19	Majorca	shower	17	Reykjavik	shower	8
Algiers	shower	21	Belgrade	rain	5	Casablanca	sun	20	Geneva	shower	17	Malta	fair	19	Rio	fair	26
Amsterdam	fair	16	Berlin	sun	18	Chicago	shower	17	Gibraltar	sun	21	Manchester	shower	12	Rome	sun	19
Athens	fair	16	Bermuda	fair	21	Cologne	sun	19	Glasgow	shower	11	Manila	cloudy	33	S. Frsco	rain	17
Atlanta	sun	26	Bogota	cloudy	18	Dakar	sun	26	Hamburg	sun	10	Melbourne	shower	17	Seoul	rain	15
B. Aires	fair	15	Bombay	fair	33	Dallas	sun	29	Helsinki	cloudy	10	Mexico City	sun	25	Singapore	shower	32
B.ham	shower	13	Brussels	fair	18	Delhi	fair	36	Hong Kong	drzzl	26	Miami	sun	27	Stockholm	fair	18
Bangkok	fair	37	Budapest	cloudy	12	Dubai	sun	32	Honolulu	sun	30	Milan	sun	21	Strasbourg	shower	18
Barcelona	shower	15	C.hagen	sun	11	Dublin	shower	12	Istanbul	shower	11	Montreal	sleet	4	Sydney	fair	21
			Cairo	fair	29	Dubrovnik	cloudy	11	Jakarta	cloudy	32	Moscow	cloudy	12	Tangier	sun	22
			Cape Town	fair	23	Edinburgh	shower	13	Jersey	shower	12	Munich	fair	15	Tel Aviv	fair	26
									Karachi	fair	34	Nairobi	cloudy	28	Tokyo	shower	19
									Kuwait	fair	27	Naples	sun	18	Toronto	cloudy	7
									L. Angeles	shower	19	Nassau	fair	28	Vancouver	rain	14
									Las Palmas	fair	22	New York	cloudy	13	Venice	sun	18
									Lima	fair	26	Nice	thund	18	Vienna	sun	15
									Lisbon	sun	24	Nicosia	shower	20	Warsaw	sun	15
									London	shower	14	Oslo	fair	13	Washington	fair	17
									Lux.bourg	fair	18	Paris	cloudy	14	Wellington	fair	17
									Lyon	shower	18	Perth	fair	30	Winnipeg	cloudy	11
									Madeira	shower	19	Prague	sun	18	Zurich	fair	17

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FINANCIAL TIMES
COMPANIES & MARKETS
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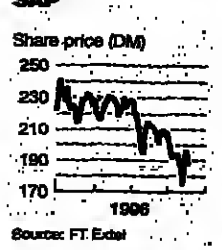
IN BRIEF

Easdaq expects 20 groups on opening

Easdaq, the new Europe-wide stock exchange modelled on the US's Nasdaq, expects to list about 20 companies when it opens in September and to add 20-30 more during its first year of operation. The target is to trade the shares of 500 companies on Easdaq within five years. Page 18

SAP share price slips as forecasts queried



A senior executive of SAP, the German business software group, has suggested that some analysts' profit forecasts were over-optimistic, prompting a 7 per cent fall in the share price to DM188. Mr Henning Kagermann, a board member, said forecasts of a 50 per cent rise in earnings per share were too high. The company confirmed Mr Kagermann's comments, stressing they referred to the whole of 1996, and not the first quarter. Page 20

Strong sales push VA Tech 37% ahead
VA Tech, the Austrian plant engineering group, lifted its group net income 37 per cent last year from Sch979m to Sch1.34bn ($126m). Mr Othmar Puehringer, chairman, said he expected earnings to rise by more than 10 per cent this year. Page 20

Higher costs drag Tsingtao to surprise fall
Tsingtao Brewery, the first Chinese enterprise to obtain a listing on the Hong Kong stock exchange, reported a 9.6 per cent drop in net profits to Yn98m ($11.8m) last year, sharply below expectations. Page 21

New Chase beats forecasts with 13% rise
Chase Manhattan and Chemical Banking capped their recent merger with a 13 per cent jump in revenues in the first quarter of this year, a performance which outstripped analysts' expectations. Page 22

Eastman Kodak plans $2bn buy-back
Eastman Kodak, the US photographic and digital imaging group, announced a $2bn stock buy-back programme as it reported first-quarter net earnings up 5 per cent to $274m, or $0.80 a share. The result was helped by unexpected strength in consumer products. Page 24

Strong cigarette sales lift Philip Morris
The growing popularity overseas of US-style cigarettes helped Philip Morris, the biggest US tobacco company, increase net income by 15 per cent to $1.6bn in the first quarter. Page 24

Olivetti begins turnround of PC arm

Italian computer company's subsidiary in line to break even after group net loss deepens to $1bn

By Andrew Hill in Milan

Olivetti's troublesome personal computer subsidiary has begun to recover from years of heavy losses, the Italian group said yesterday.

The PC company made a slim net profit in February and March this year, in line with its aim of breaking even for 1996. Mr Carlo De Benedetti, Olivetti's chairman, has said the group would dispose of the PC business if it cannot be returned to profit this year.

Olivetti yesterday announced a 1995 net loss for the group of L1,598bn ($1bn), in line with expectations following the release of preliminary figures in January.

A number of analysts said it was too early to recommend the stock to investors. The slide in the share price over the three months since Olivetti successfully concluded a L2,257bn rights issue has disappointed many shareholders.

Mr Gianluca Codagnone, analyst with Aloisio Foglia Ventura in Milan, said: "The fact that the PC business is going OK is fine, but I need that to be confirmed by the results later in the year."

In 1994, Olivetti recorded a net loss of L679bn, and an operating loss of L16.7bn. The group returned an operating profit for 1995 of L114bn – the first for four years – but this improvement was wiped out by restructuring costs of L1,123bn and interest charges of L326bn. Turnover rose to L9,840bn, up 5 per cent at constant exchange rates.

The group's net debt stood at L775bn at the end of December, down from L2,011bn at the end of June 1995, before last autumn's capital increase.

Many foreign institutions bought shares in the rights issue at L1,000 each, but were then unhappy to learn that Olivetti would include heavier restructuring provisions in its 1995 results. The shares fell to a low of L735 last month, hit by news that PC makers such as Compaq and IBM of the US had cut prices, while others had been forced to shut PC operations. Olivetti shares closed yesterday at L847.1, before the announcement of the results.

This year, Olivetti seems to have anticipated price cuts in the PC sector. Its products are not sold in the US and have only a minor presence in Germany, the two markets hardest hit by the downturn. Olivetti said the total volume of its PC shipments increased 28 per cent in the first quarter of this year, and by 38 per cent in Europe, where the market has expanded by less than 20 per cent.

Olivetti pushed further into the telecoms sector in 1995 through Omnitel Pronto Italia, Italy's second digital mobile phone operator, in which it has a 41.3 per cent stake, and Infostrada, a joint venture with Bell Atlantic of the US.

The group's new structure – a holding company and five subsidiaries – should make it easier for Olivetti to spin off individual activities or link up with outside partners. In recent weeks, Olivetti has denied reports that it was talking to France Télécom and Bull, the French computer group, about partnerships in other areas, including PCs. Olivetti is already examining the market flotation of a minority stake in Lexikon, the office equipment subsidiary, and has realised L242bn of the L400bn it hopes to raise by 1997 from the disposal of peripheral businesses.

Westpac enters battle for NZ bank

By Terry Hall in Wellington

The battle to buy Trust Bank of New Zealand hung in the balance yesterday after a last-minute entry into the bidding by Westpac of Australia.

National Bank of New Zealand, a subsidiary of Lloyds Bank of the UK, has for weeks been considered front runner in discussions with Trust Bank. But Mr Bob Joss, managing director of Sydney-based Westpac, has spent much of the past week in Wellington and is thought to be co-ordinating a bid.

The outcome will be known tomorrow when Trust Bank announces the results of an auction which has taken its price tag to NZ$1.5bn (US$1bn).

Some brokers believe ASB Bank, which is 75 per cent controlled by the Commonwealth Bank of Australia, is also still in the running.

The nine community trusts that control 78 per cent of Trust Bank met in Wellington yesterday to consider formal bids. The Trust Bank board, which last week advised investors not to sell their shares, said it was concerned by the continued rise in its share price and still expected to make an announcement tomorrow.

If Lloyds wins, it would become the country's biggest bank with total assets of NZ$24bn. If Westpac gains control of Trust Bank, total assets of its New Zealand unit would jump from NZ$13bn to NZ$20bn, making it the second biggest after the Bank of New Zealand which is the country's leading trading or retail bank with assets of NZ$22bn.

The bidding has taken the likely acquisition price up to an expensive NZ$3.20 a share, which would value Trust Bank at roughly 2.5 times 1996 assets and 15 times 1996 net earnings.

On the New Zealand stock market yesterday, Trust Bank shares rose a further 13 cents to NZ$3 on turnover of 1m shares.

Westpac in Sydney described the reports as speculation, and declined to comment further. Lloyds in London said it never commented on speculation. The UK bank, though acquisitive, has been reluctant to get involved in auctions.

In New Zealand, however, Mr Malcolm McCaw, National Bank's chairman, said his bank was "obviously" interested in Trust Bank.

"All banks, of course, are interested. Many parties are involved," he said.

US vehicle maker's result expected to contrast sharply with main rivals' performance

Chrysler accelerates to $1bn record first-quarter profit

By Richard Waters in New York

Chrysler, the smallest of the three big US car and truck makers, confirmed yesterday that it is once again firing on all cylinders as it produced record first-quarter profits of more than $1bn after tax.

The results represent a marked turnround from the beginning of last year, when Chrysler was struggling with the high costs of launching a new minivan, its biggest-selling vehicle.

The figures are also likely to provide a contrast to those of General Motors and Ford Motor, which are expected to report sharp profit declines in the next two days.

Chrysler's troubles in 1995 coincided with an unexpected dip in US vehicle sales for all manufacturers, and helped provoke an abortive takeover bid from Mr Kirk Kerkorian, the company's biggest shareholder.

The opening months of this year, by contrast, have seen it recover its poise. Mr Robert Eaton, Chrysler chairman, reached a pact with Mr Kerkorian in February which headed off any threat of a shareholder revolt at its annual meeting in May. As yesterday's results indicated, the company is benefiting from an unexpectedly strong start to the year in the US car and light truck markets.

Buoyed by strong sales of its high-margin minivans and sports utilities, Chrysler registered a 10 per cent increase in revenues to $15bn. It produced 753,176 vehicles, a 5 per cent rise.

The shift to more profitable light trucks enabled Chrysler to hold its after-tax profit margin at 6.7 per cent for the period, nearly double the level of a year before and close to the 6.9 per cent of the final quarter of 1995.

Chrysler maintained its profit margins in spite of signs of continuing price cuts in the highly competitive car market. The average incentive to buyers in the first quarter was $640 a vehicle, up from $495 in the previous quarter.

Mr Gary Valade, chief financial officer, said strong new vehicle sales in the US during the first quarter, which were running at an annualised rate of 15.7m for the industry as a whole, had led the company to raise its estimate of total sales for 1996 to 15.3m, from 15.1m.

Chrysler's net income in the first quarter doubled to $1bn, while its earnings per share rose to $2.61, from $1.23.

Reuter

Gathering speed: Robert Eaton, Chrysler chairman

BT and C&W heads drawn into merger talks

By Alan Cane in London

Top executives from British Telecommunications and Cable and Wireless have for the first time become directly involved in the month-old talks which could lead to a merger between the companies.

Dr Brian Smith, C&W chairman, yesterday visited BT's chairman Sir Iain Vallance to get the talks restarted after the Easter break.

Sir Peter Bonfield, BT chief executive, was last night meeting the C&W executive team headed by Mr Rod Olsen, acting managing director. At these discussions, the two sides were addressing practical issues of a potential merger, which would create a £33bn ($50bn) telecoms group.

Their involvement is an advance from the talks between the companies' financial advisers. Officials close to the talks said the involvement of top executives represented an evolutionary step forward in the merger process.

There was now "cautious optimism" that a deal could be done, they said, although nobody was underestimating the complexity or delicacy of the negotiations. Officials are suggesting that a conclusion is still some weeks off and that the talks could break down at any moment.

BT and C&W have held merger talks intermittently over the past few months but price and problems associated with C&W's stake in Hongkong Telecom and both companies' alliances in Germany have prevented progress.

A turning point came last month when the idea of a reverse takeover, whereby C&W would acquire BT, was mooted. Such a solution might avoid regulatory problems in Hong Kong, but observers have pointed out that the attitude of the Hong Kong and Chinese authorities to a reverse takeover on such a scale has yet to be tested.

It is understood that little now separates the two sides on price – thought to be three BT shares plus cash for two C&W shares – although Germany remains a problem. BT has alliances with the German industrial groups Viag and RWE while C&W has an alliance with Vebacom, telecoms arm of the Veba group.

Lawyers in Brussels yesterday suggested European competition authorities might have no objections to an alliance of BT, C&W and their German partners because it would accelerate the opening of the German telecoms market.

Deutsche Telekom, meanwhile, is refusing to confirm or deny reports it plans to bid for C&W.

China studies merger, Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Henkel	587.5	+	13.5
Zanders	125	+	5
Falls			
Asko Prf	750	-	20
Holzmann	510	-	34
SAP AG	182	-	14
VEW	475.5	-	10.5
NEW YORK ($)			
Rises			
ACC Telenterpr	11.25	+	1.25
Avenor	22.55	+	1.8
Biochem Pharm	54.25	+	3.25
Falls			
Dig Met A	16.3	-	0.95
Eli Eco Logic	9.75	-	0.7
Spectral Diag	9	-	0.6
LONDON (Pence)			
Rises			
Boosey & Hawks	898	+	43
Celltech	530	+	32
Innovations	175	+	20
Keller	168	+	17
Natl Power	521½	+	31½
Falls			
Britannia Corp	21	-	5
TORONTO (C$)			
Rises			
Rolar Cascade	45⅛	+	2¼
Bowater	40⅛	+	2⅜
Champion Intl	50⅞	+	3⅛
Dona & Pwr	41⅞	+	3
Equifax	23⅞	+	2⅛
Falls			
Mercury Fin	12⅞	-	1⅛
PARIS (FFr)			
Rises			
BIC	590	+	17

Cap Gemini S	190.7	+	8.1
Gaumont Soc N	403.4	+	13.4
Lafarge	352.4	+	10.4
L'Oreal	1584	+	61
Falls			
Damart	4000	-	115
TOKYO (Yen)			
Rises			
Nachi Fujikoshi	538	+	27
Falls			
Brother Ind	670	-	54
Maruha Corp	424	-	21
Mazda Motor	510	-	35
Nihon Parkerzg	800	-	35
Nippon Suisan	492	-	30
HONG KONG (HK$)			
Rises			
Easyknit Intl	4.15	+	0.325
New World Inf	16.85	+	0.7
Oriental Telecom	3.375	+	0.275
Pearl Oriental	2.225	+	0.335
Sime Darby HK	7.55	+	0.3
Falls			
Englong Intl	1.63	-	0.18
BANGKOK (Baht)			
Rises			
First Asia Sec	101	+	8.5
Falls			
Charan Ins	57.5	-	5
Inoue Rubber	127	-	13
MEC Far East	42.5	-	375
Securities One	340	-	22
Thai Cane	21.25	-	2.25

New York and Toronto prices at 12:30.

Barry Riley

When rocket scientists crash out of orbit

Some lively correspondence encourages me to return to the subject of the mathematical models which are dominating – and some would say distorting – today's financial markets.

A month ago I described Robert Clarkson's battle against the hegemony of, in particular, the Black-Scholes formula for pricing options. His fight turns out to be by no means lonely. A technical article in the March issue of *Risk* magazine by three continental physicists, Jean-Philippe Bouchaud, Giulia Iori and Didier Sornette, discusses the shortcomings of Black-Scholes – suggesting it underprices options – and proposes a more general theory to fit realistically risky markets.

An intrusion of physicists into finance is not unusual. Financial economics has long depended on contributions from the physical sciences.

In investment folklore, after all, rocket scientists are part of the essential nerd complement of any quantitative back room. But more fundamentally, financial economics can be seen as an attempt to apply to the financial markets some of the complex mathematical techniques developed in physics and chemistry.

These methods have been employed in studying Brownian motion (classically, the movements of tiny particles buffeted by gas or liquid molecules). And indeed, the 1973 breakthrough by Fischer Black and Myron Scholes was an adaptation of heat transfer equations from physics.

One of the key Black-Scholes assumptions was that price movements in financial markets follow the same kind of probability distribution that applies to natural phenomena – the bell-shaped lognormal distribution.

In practice, however, this is not so. In particular, empirical distributions exhibit far more frequent extreme outcomes or "fat tails". For example, one-day stock market price falls of 5 per cent would only happen once every 1,000 years on the basis of a standard probability curve.

And Wall Street crashes such as those seen in 1929 and 1987, with one-day changes of the order of 25 per cent, would have an almost zero chance of happening, although we know that in practice they are liable to feature about twice a century and no investment institution or securities dealer that intends to stay in business for the long term can ignore the risks of a repetition.

An intrusion of physicists into finance is not unusual

In more usual circumstances there may still be awkward price jumps, so that volatility is higher than assumed under Black-Scholes. Moreover the risks cannot be entirely hedged away, as implied by the idealised model.

The Bouchaud-Iori-Sornette formula for "real world" options attempts to minimise these residual risks, especially by applying a more sophisticated mathematical treatment to the "tails" of the distribution. If the risks cannot be hedged out, at least they can be reduced via diversification.

The immediate issue arising from all this is whether the markets are following a dangerous path by wrongly pricing options and leaving marketmakers highly exposed to extreme events. The warning by Clarkson has been that too much marketmaker software blindly incorporates Black-Scholes so that "real" prices have fallen more into line with the formula, whereas pre-1973 they were higher, especially for low-volatility contracts.

But according to the Bouchaud team this is not so. Market practitioners are usually aware that unmodified Black-Scholes generates underpricing and have incorporated trial-and-error improvements.

So is this a lot of fuss about nothing? Perhaps, but we still do not know how robust these mathematical techniques will turn out to be in extreme circumstances. There are still worries about the application of natural scientific models to financial markets controlled not by natural laws but by human psychologies of greed and fear.

Reorientation of the mathematics from nature to finance requires modification, and an understanding of the behaviour of the models under stress. New graduates from business schools may be too ready to accept theories of financial economics as received wisdom.

Such recruits are often promoted rapidly in trading houses and are driven by big financial incentives. Fat wallet attitudes may prove vulnerable to fat tail events.

Easdaq plans to list 20 groups this year

By Clive Cookson in Amsterdam

Easdaq, the new Europe-wide stock exchange modelled on the US Nasdaq, expects to list about 20 companies when it opens in September and to add 20-30 more in its first year of operation.

The target is to trade the shares of 500 companies on Easdaq within five years, with an emphasis on information technology, biotechnology and other fast-growing fields.

Mr Jos Peeters, Easdaq vice-chairman, gave a progress report to senior executives in biotechnology at the annual European Life Sciences Conference in Amsterdam yesterday.

Mr Peeters had promised a year ago that Easdaq would be up and running last January, but its launch was delayed by technical and legal difficulties. The problems had been solved, he said yesterday, and "things are well on their way for launch in September – but don't shoot me if we are a couple of months late."

Easdaq, based in Brussels, is financed by a consortium of European and US banks. Trading will be quote-driven, with marketmakers on both sides of the Atlantic displaying prices on the network of the International Securities Market Association, currently used for eurobond trading.

Easdaq plans to start by giving a dual listing to 20 companies already quoted on Nasdaq. Its requirements were modelled on the US exchange's rules for small capitalisation stocks, Mr Peeters said, to make dual listing as painless as possible.

Easdaq plans to concentrate in its first year on initial public offerings for private companies. The medium-term goal, said Mr Peeters, was "to create a market that can live through the next recession".

Easdaq's competitors include the national stock markets, particularly London, which are trying to become more hospitable to young, high-technology companies, and new local markets for smaller companies such as the UK's Alternative Investment Market and Le Nouveau Marché in France.

A director from one of two French biotechnology companies, Genset and Transgene, that are expected to go for dual listing on Nasdaq and Le Nouveau Marché this year, said that pressure from the French government on Paris financial institutions would ensure Le Nouveau Marché got off to a good start, though he predicted that it would soon be crippled by low liquidity.

Comment at the Amsterdam conference suggested that many European biotechnology companies will welcome Easdaq because they are dissatisfied with other options for going public. London and other national exchanges are regarded as unfriendly to companies from different European countries, while servicing a Nasdaq quote in the US takes too much management time.

Institutions let votes do the talking at UBS

Small investors' concerns about jobs dominated yesterday's AGM, writes Ian Rodger

Switzerland's large investing institutions are beginning to throw their weight around with the companies in which they have large shareholdings.

But they have not yet shown any willingness to make their arguments in public.

The recent struggles over the direction of Union Bank of Switzerland, culminating in a proxy battle at yesterday's annual shareholders' meeting, indicate the problem.

There is no doubt that leading Swiss institutions have become increasingly unhappy about the governance of UBS in the past couple of years.

They fear that the bank's directors and senior managers have not been responding quickly enough to the challenges posed, both by increased international competition and by overcrowding in the Swiss market.

They are also upset at the UBS leadership in particular for being unable to deal effectively with a series of challenges from the bank's largest shareholder, the maverick Zurich broker, Mr Martin Ebner.

One such investor said privately yesterday that while the small regional banks in Switzerland were all well advanced in restructuring themselves, the big banks did not seem yet to have got the message.

He wondered if the existing managers were up to the job, and worried that Switzerland as a whole would suffer unless the banks woke up fairly soon.

He and other institutional investors are increasingly willing to express their concerns directly to company managements, and it is known that they have spoken to UBS directors in recent weeks.

However, they have kept their heads firmly out of public view. When asked by the media in recent weeks how they would vote their UBS shares, most said they had not yet decided. But at the UBS shareholder's meeting in a suburban Zurich ice hockey stadium, this and other concerns about the bank were scarcely to be heard.

The shareholders who chose to speak were mostly concerned about potential job losses, and argued that the bank had responsibilities to the community as well as to its shareholders.

Since the idea of a merger of UBS and CS Holding, the group built around Credit Suisse, was mooted last week, there has been widespread public alarm about thousands of possible job losses. UBS leaders exploited the situation well.

Mr Robert Studer, who was elected the new chairman of the bank yesterday, told shareholders: "It has recently become fashionable throughout the business community to regard staff-cutting as the number one priority for management.

"The best companies are not those who cut the most staff but those who create new jobs while at the same time achieving higher earnings per employee," he said.

Mr Martin Ebner, the maverick Zurich broker whose BK Vision investment fund is UBS's largest shareholder, protested at the cynicism of UBS managers who "foster the illusion of a trade-off between a good employer and a profitable enterprise". But it was not a message that anyone wanted to hear.

Even those who criticised the bank's management, such as the manager of a Geneva school teachers' pension fund, attacked mainly on the basis that the bank was eliminating jobs in French Switzerland and creating them only abroad.

UBS's smaller shareholders were obviously frustrated by the absence of the big institutions.

One suggested, to applause, that anyone with a more than 0.5 per cent holding should be obliged to state his position on the important issues.

The Swiss like things to be clear and straightforward, so it would not be surprising to see such an innovation in the near future.

Reuter

Martin Ebner: attacked 'illusion of a trade-off between good employer and profitable enterprise'

Surprise statement hits Ericsson share price

By Hugh Carnegy in Stockholm

Shares in Ericsson, the Swedish telecommunications group, fell 4 per cent in late trading yesterday after a surprise statement by the company on first-quarter sales sparked a new round of investor worries about prospects for the mobile telephone industry.

Ericsson, the world's biggest supplier of mobile equipment, said net sales in the first quarter were 14 per cent ahead of the same period last year, when they reached SKr19.8bn ($2.9bn). Orders were up 11 per cent. It added that the increases were almost twice as high in US dollar terms, and said mobile division sales – the biggest unit in Ericsson – were up 50 per cent in dollar terms.

The figures were broadly in line with market expectations. But the lack of further detail or comment on profit performance increased concern that the trend of spectacular profits growth by leading mobile telephony suppliers has ended.

Ericsson's most-traded B shares tumbled SKr5.50 to close at SKr130.50 in Stockholm in the short time between the announcement and the market close.

The fall followed a previous downward lurch in Ericsson stock this month after a prominent US television commentator predicted first-quarter profits would fall below the SKr1.2bn pre-tax earnings achieved in the same period last year. Then, the B shares fell more than SKr20 to below SKr130 before steadying.

The company declined to elaborate on first-quarter performance before its scheduled results announcement on May 8. Its refusal to give any profits forecast for the period, or the year as a whole, contributed to the anxiety among investors.

The world's three leading mobile telephone makers – Ericsson, Motorola of the US and Finland's Nokia – have suffered from the pessimistic mood, which stems mainly from a slowdown late last year in mobile phone sales in the US and a slide in prices for mobile handsets.

Nokia has warned of a substantial fall in first-half profits.

NEWS DIGEST

Banesto records 47% improvement

Spain's Banesto banking group, which came under the control of Banco Santander two years ago after the country's largest bank rescue operation, reported a 47.5 per cent improvement in attributable first-quarter net profit to Pta6.98bn ($55m). The result included net extraordinary gains of Pta3.6bn, five times 1995's first quarter figure. Among other reasons for the profit increase, which was in line with Banesto's targets and analysts' expectations, the bank cited a reduction in costs, selective growth in its lending portfolio and recovery of non-performing loans. Operating profits climbed 79 per cent to Pta10.43bn. Clients' funds were 7.5 per up at Pta2,910bn, while loans showed growth of just over 6 per cent, to Pta2,080bn.

David White, Madrid

Brewer seeks share issue delay

Brau und Brunnen (BBI), the German brewing group, has formally applied to a Polish court to postpone a share issue by the listed Okocim brewery. The case is the country's first big test of the ability of local courts to protect investors' rights.

BBI, which faces losing its position as the strategic investor in Okocim, is contesting the legality of the issue in the first dispute involving a large foreign investor in a listed Polish company.

The issue, which closed last week, has seen Carlsberg, the Danish brewer, take 7m shares worth 127.4m zlotys ($48.64m), giving it a 31.8 per cent share in Okocim and will, if the issue is registered, lower the German brewer's share to 14 per cent from its present 25 per cent.

BBI says it was tricked into dropping its right to a 25 per cent share of the 10m share issue and has been trying to get the courts to rescind the issue and force management to hold a new shareholders' meeting.

Christopher Bobinski, Warsaw

PreussenElektra ahead

PreussenElektra, Germany's second largest electricity-generating company and a subsidiary of the Veba conglomerate, announced a 3 per cent rise in profits in 1995 to DM1.06bn ($701m) on turnover flat at DM15.9bn. Mr Hans-Dieter Harig, chief executive, said increased sales in eastern Germany, which rose 2.9 per cent, and a 6.3 per cent growth in sales at VKR, its west German power plant subsidiary, accounted for the boost in profits.

Sales in western Germany declined 1.2 per cent. The total volume of PreussenElektra's electricity sales in 1995 increased by 0.7 per cent to 95.5bn kW/h. In 1995 PreussenElektra made investments of DM4.7bn, the bulk of these in plant modernisation. PreussenElektra said it was interested in increasing its existing 10 per cent stake in Bewag, the Berlin electricity distributor.

Frederick Studemann, Berlin

Vendex advances

Vendex International, the Dutch retail and services group, announced an 8 per cent rise in net income to Fl 415m ($245m) on sales of Fl 11.3bn for fiscal 1995/96, in the first full-year statement since its bourse listing last June. It will pay a dividend of Fl 1.50 a share. Operating income advanced by 20 per cent to Fl 412m. The increase was entirely a result of real estate transactions, which added Fl 136m to earnings.

David Brown, Amsterdam

Henkel lifts payout

Henkel, the German chemicals group, said it would propose a 1995 dividend of DM11.5 on its preferred shares, up from DM11 a year earlier. The company also said it would pay a dividend of DM10.5 per common share, up from DM9 in 1994. Sales at the group's domestic units climbed 3 per cent to DM5.09bn ($3.37bn), while sales at the foreign units amounted to DM9.10bn, little changed from the year earlier.

AFX News, Düsseldorf

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.04.96: Pool purchase price £/MWh	Final Price for Trading on 23.03.96: Pool purchase price £/MWh	Final Price for Trading on 23.03.96: Pool selling price £/MWh
0030	9.32	9.20	9.20
0100	9.26	9.03	8.77
0130	16.35	19.51	20.26
0200	16.79	19.51	20.25
0230	23.48	19.51	20.25
0300	23.48	14.85	15.59
0330	23.48	14.85	15.58
0400	23.48	9.20	9.20
0430	26.47	9.18	9.18
0500	25.47	9.18	9.18
0530	78.77	9.19	9.19
0600	15.46	9.16	9.18
0630	15.35	9.20	9.20
0700	15.45	9.19	9.18
0730	22.38	14.07	14.93
0800	22.38	14.22	15.04
0830	25.60	14.47	15.35
0900	24.01	16.48	17.92
0930	45.80	18.77	20.92
1000	45.81	18.97	21.17
1030	45.79	19.84	21.00
1100	28.23	19.70	20.82
1130	25.65	19.88	21.05
1200	25.85	24.78	26.95
1230	28.22	24.80	25.76
1300	25.61	24.13	25.17
1330	25.59	14.62	16.53
1400	22.68	14.42	16.27
1430	22.68	14.34	15.18
1500	22.68	14.31	15.14
1530	22.68	14.33	15.17
1600	22.68	14.55	16.45
1630	25.70	15.05	18.07
1700	25.71	15.77	16.99
1730	31.15	24.86	25.84
1800	25.47	24.29	25.49
1830	25.45	19.80	19.80
1900	25.45	40.02	44.95
1930	25.44	42.27	47.14
2000	25.44	49.08	52.66
2030	25.45	26.47	27.94
2100	30.57	14.80	15.49
2130	30.57	14.11	14.88
2200	30.57	14.03	14.77
2230	30.57	9.18	9.18
2300	30.57	9.20	9.20
2330	21.13	9.19	9.19
2400	15.46	9.19	9.19

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.88/MWh becomes 1.588p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6788 between 8.30am and 5.15pm Monday to Friday.
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STRENGTH AND ENDURANCE: DIAMONDS AND DE BEERS

POINTS FROM JULIAN OGILVIE THOMPSON'S 1995 CHAIRMAN'S STATEMENT

1995 was a testing time for De Beers and the worldwide diamond industry which it serves. Once again it has met these challenges, demonstrating the flexibility of a system of single channel marketing which has endured for more than 60 years.

At the beginning of 1995 prospects for the industry were perceived in some quarters to be clouded by uncertainty. By the year's end, however, the De Beers Central Selling Organisation (CSO) was able to declare record sales of US$4,531 million, an increase of 6.6 per cent on the previous year. Its sales policy and management of the market revived confidence in the cutting centres, which led to rising prices for larger rough and polished gem diamonds.

Following protracted negotiations, a major cause of uncertainty was dispelled when De Beers and the Russian government signed a memorandum of understanding governing a new sales contract. This memorandum is good for De Beers, good for the Russian diamond industry, good for diamond producers and for all constituents of the industry, including the consumer.

CSO sales for the first half of 1995 were encouraging, although the market was disrupted by continuing sales of cheap small goods which bypassed the single channel market. By June the CSO had brought the market in larger goods back into balance through its outside buying activities as well as tighter distribution, enabling it to increase the price of these diamonds. At the same time prices of the smaller, cheaper qualities were reduced in line with the market. Strong demand for larger goods continued in the second half, enabling the CSO to announce a further price increase of an average of 5 per cent for gem diamonds of two carats and above.

Despite a difficult trading year De Beers was able to announce increases of 11 per cent to US$624 million in attributable earnings, of 18 per cent to US$986 million in equity accounted earnings and an increase of 10 per cent in combined dividends for 1995.

De Beers' equal partnership with the Botswana government in Debswana Diamond Company, the world's largest producer by value, continues to prosper to the benefit of all concerned and there was a further increase in Debswana's total production to 16.8 million carats. Our year-old equal partnership with the Namibian government in Namdeb Diamond Corporation is developing encouragingly. The mining of off-shore areas by Debmarine already accounts for more than one third of Namdeb's total production; and technological advances to allow the mining of lower grade deposits are extending the deep sea reserves. In Angola De Beers has been awarded prospecting rights by the Angolan government.

In 1995, stimulated by De Beers' worldwide promotional campaign, more people acquired more diamond jewellery, spent more money and bought more polished carats than ever before. Preliminary figures suggest that the value of diamond jewellery sales increased by 5 per cent in 1995 to another record level. De Beers is confident that, given the right economic conditions, consumer demand will continue to grow.

The full Chairman's Statement and the Annual Reports of De Beers Consolidated Mines and De Beers Centenary for the year ended 31st December 1995 have been posted to registered shareholders. Copies may be obtained by writing to the London Secretary at the address below.

De Beers

A diamond is forever

De Beers Consolidated Mines Limited (Incorporated in the Republic of South Africa). London Office: 19 Charterhouse Street, London EC1N 6QP.
De Beers Centenary AG (Incorporated under the laws of Switzerland), Head Office: Langensandstrasse 27, CH-6000 Lucerne 14, Switzerland.

COMPANIES AND FINANCE: EUROPE

Additional Interest Statement
Disney Enterprises, Inc.
*(formerly The Walt Disney Company)**
U.S. $400,000,000
Senior Participating Notes Due 1999

☒ Semiannual Statement — Dated: April 20, 1996
for the period from September 1, 1995 to February 29, 1996 (the "Period")
☐ Annual Statement

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of Disney Enterprises, Inc. (formerly The Walt Disney Company) (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

If this is an Annual Statement, this Statement is also accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10043, Attention: Corporate Trust Department; telephone: (212) 412-6214. If this Statement is an Annual Statement, it is also accompanied by a Supplemental Audit Report of the Company's independent public accountants. In this Statement, references to "$" are to United States dollars.

1. Names of Eligible Films included in the Portfolio:
   a. For the Period: N/A
   b. From the Issue Date through end of Period:

The Muppet Christmas Carol	My Boyfriend's Back
The Cemetery Club	Father Hood
The Adventures of Huck Finn	The Joy Luck Club
Indian Summer	Money for Nothing
Guilty as Sin	Cool Runnings
Life With Mikey	The Three Musketeers
What's Love Got To Do With It	Sister Act 2
Son-in-Law	Cabin Boy
Hocus Pocus	Iron Will
Another Stakeout	

2. Names of short subjects to which any portion of Total Revenues has been allocated:
   a. For the Period: N/A
   b. From the Issue Date through end of Period: N/A

	For the Period:	From the Issue Date through end of Period:
3. Aggregate Negative Costs of Eligible Films in the Portfolio	$14,000	$495,790,000
4. The Portfolio Amount	$0	$400,000,000
5. Aggregate Domestic Theatrical Rentals of Eligible Films in the Portfolio**	$17,495	$195,123,724
6. Calculation of Contingent Interest:		
Total Revenues	$52,538,443	$861,809,130
Distribution Fees @ 17.5%	(9,194,227)	(150,816,598)
Estimated Third Party Participation Payments*	(690,551)	(4,993,652)
Residuals	(82,195)	(17,536,487)
Short Subject Revenues	0	0
Eligible Film Revenues	$42,571,470	$688,462,393
Base Amount	0	(800,000,000)
Eligible Film Revenues in Excess of Base Amount	0	0
	x50%	x50%
Contingent Interest	$0	$0
7. Contingent Interest paid per $1,000 principal of Notes	$0	$0

** Domestic Theatrical Rentals of Eligible Films in the Portfolio are adjusted on a pro rata basis in the same manner as Eligible Film Revenues are prorated pursuant to the Notes.
* Actual Third Party Participation Payments are used with respect to the Final Interest Payment.

8. Supplemental Interest	$0	$0
9. Supplemental Interest paid per $1,000 principal amount of Notes	$0	$0
10. Provisional Interest	$0	$0
11. Provisional Interest paid per $1,000 principal amount of Notes	$0	$0

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

☒ No Default
☐ Yes; Description:

Disney Enterprises, Inc.
(formerly known as The Walt Disney Co.)
By: /s/ Ingrid McConnell
Title: *Manager of Project Finance*

*On February 9, 1996, Disney Enterprises, Inc. (formerly known as The Walt Disney Company) (the "Company") acquired Capital Cities/ABC, Inc. ("Capital Cities"). As a result of the acquisition, the Company was renamed Disney Enterprises, Inc. and became a wholly owned subsidiary of a new holding company named "The Walt Disney Company". Accordingly, the above-referenced Notes are securities of Disney Enterprises, Inc.

E.T.B.A. FINANCE
Financial and Economic Services S.A.
(former Greek Exports S.A.)
A subsidiary of ETBA S.A.

ANNOUNCEMENT
OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE PURCHASE OF THE TOTAL ASSETS OF INTERNATIONAL TOURIST INVESTMENTS S.A. NOW UNDER SPECIAL LIQUIDATION

ETBA FINANCE S.A., established in Athens at 1 Eratosthenous & Vas. Constantinou Streets, in its capacity as special liquidator of INTERNATIONAL TOURIST INVESTMENTS S.A. in accordance with Decision No. 743/1996 of the Athens Court of Appeal within the framework of article 46a of Law 1892/90, supplemented by article 14 of Law 2000/91 and its amendments

ANNOUNCES

a public auction for the highest bidder with sealed, binding offers for the purchase of the assets of INTERNATIONAL TOURIST INVESTMENTS S.A. (IPPOKRATOUS MELATHRON Hotel) established in Athens.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

INTERNATIONAL TOURIST INVESTMENTS S.A. today operates the Hippocratous Melathron hotel group (A' Class) in the Psalidi area of Cos Island on a plot of land with a total area of 71,440 sq. metres which includes an entrance hall, reception, lounge, restaurant, taverna, discotheque, indoor and outdoor swimming pools, night club, tennis court, etc. Near the above hotel an independent building "B" has been erected which was intended to house a Preventive Medicine Centre. Because the relative permit was not issued by the authorities, this building was converted to guest accommodation. It consists of two units: the "Maisonettes" which contains ten maisonettes and 26 beds and the "Pavilion" which contains 18 guest bedrooms. According to special warrant No. 534549/95 for the operation of the hotel, its capacity is 170 rooms with 315 beds. An on-the-spot inventory, however, lists 422 beds in 201 rooms (as a result of the conversion of building "B", etc). From 1984, the company under liquidation had begun building a new 444-bed luxury hotel unit (on part of the plot of land upon which the Ippocratous Melathron hotel has been built). This is a three-storey building on ten levels. Construction work was suspended and so far, all that has been erected is part of the reinforced concrete skeleton totalling 3,671 sq.m. in area (against a planned total of 13,582.78 sq.m.). The company also owns a plot of land totalling 50,330 sq.m. in the area of the Kardameni community on the island of Cos. A full analysis of the existing building and other installations is contained in the Offering Memorandum to which you are referred.

TERMS OF THE ANNOUNCEMENT

1. The auction will be carried out in accordance with the provisions of article 46a of Law 1892/1990 complemented by article 14 of Law 2000/1991 as today in force; the terms contained in the present Announcement and the terms contained in the Offering Memorandum, regardless of whether they are repeated or not in the Announcement. The submission of a binding offer implies acceptance of all these terms.
2. Interested parties may obtain the detailed Offering Memorandum and any other information after signing a confidentiality agreement.
3. In order to participate in the auction, interested parties are invited to submit a sealed, binding offer to the Athens Notary Public assigned to the auction Mrs. Panayota Alexandrou Grigoropoulou-Yannopoulou, 34 Panepistimiou Street, 2nd floor, offices 3, 4 and 5, tel: +30-1-364.5173, 363.2582 (also fax) up to 12.00 noon on Thursday, 16 May 1996.
   Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the time limit will not be accepted or considered. The bindingness of the offers will remain in force until the adjudication. Offers on behalf of named third parties will be valid only if they are declared on submission and personally guaranteed by the offeror to fulfil the obligations of the sale contract. Offers must not contain terms upon which their bindingness may depend or which may be vague with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale. The liquidator and the creditors have the right, at their incontrovertible discretion, to reject offers which contain terms and exceptions, regardless of whether they are higher than others, or ignore such terms and exceptions, in which case the offer remains binding as far as the rest of its content is concerned.
4. On penalty of invalidity, offers must be accompanied by a letter of guarantee from a bank legally operating in Greece, valid until the signature of the sale contract, (as per specimen contained in the Offering Memorandum) to the amount of a hundred and twenty million drachmas (120,000,000).
5. The offers will be opened by the above-mentioned notary in her office at 13.00 hours on Thursday 16 May 1996. Persons having submitted offers within the time limit are entitled to attend.
6. The highest bidder is the one whose offer has been evaluated by the liquidator and judged by the creditor ETBA S.A., following the proposal of the liquidator, as being the most satisfactory for the creditors of the company under liquidation.
7. The elements that make up the company's assets are being sold and will be transferred "as is and where is" and, more specifically, in their actual and legal condition and wherever they are on the date of signature of the final contract. The liquidator and the creditor are not liable for legal or actual faults or deficiencies in any of the qualities of the objects for sale, nor for any incomplete or bad description of them in the Offering Memorandum.
8. In the event that payment is to be on credit, the current value will be taken into account and will be calculated as the fixed rate of interest for all offers, this being the rate in force, at the time of submission of the offer, for interest-bearing Greek State bonds of a year's duration, with annual compound interest.
9. In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract to the time and place set in the liquidator's invitation and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.
10. The liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to the Liquidator's proposal regarding the highest bidder. Also he is not responsible and has no obligation to participants in the auction in the event of a cancellation or invalidation of the auction if its result is deemed unsatisfactory.
11. Those participating in the auction and who have submitted offers do not acquire any entitlement, claim or demand, on the strength of the present announcement or their participation in the auction, against the liquidator or the creditors for any cause or reason.
12. The costs of transferring the ownership of the assets for sale (taxes, fees, rights and other expenses) are to be borne by the buyer.

For any further information on the company for sale, interested buyers may refer to the relative Offering Memorandum, which may be obtained from our offices at 1 Eratosthenous Street, 4th floor, Athens, Greece. tel: +30-1-726.0210, 726.0278, 726.0291 and 726.0506. Fax: +30-1-726.0864.

Strong sales lift VA Tech 37%

By Eric Frey in Vienna

VA Tech, the Austrian plant engineering group, lifted its group net income 37 per cent last year from Sch979m to Sch1.34bn ($128m). Mr Othmar Puehringer, chairman, said yesterday he expected earnings to rise by more than 10 per cent this year.

Mr Puehringer attributed the leap to strong sales for steel plants, especially in east Asia and North America. Net income was also inflated by the sale of some real estate, he said.

Operating profit climbed 13 per cent from Sch1.13bn to Sch1.27bn. VA Tech will raise its dividend to Sch28 a share by adding a bonus of Sch4 to last year's payout of Sch24. The shares closed up Sch5 at Sch1,390, after earlier hitting Sch1,406.

Mr Puehringer said the company's full order books offered good prospects for 1996.

New orders rose 10 per cent to Sch39.37bn last year from Sch35.8bn, while group sales slid 6 per cent from Sch27.90bn to Sch26.09bn because VA Tech completed fewer projects than in 1994. Two-thirds of sales came from abroad.

Mr Puehringer said he hoped to compensate weaker demand from western Europe and the former communist countries by boosting sales in overseas markets.

The share of VA Tech sales in east Asia rose from 9 per cent in 1993 to 27 per cent last year. Seven per cent of sales went to the Americas.

The company recorded an after tax-profit margin of 4.9 per cent, well above the average for the German engineering sector of 1 to 2 per cent, the chairman said.

Operating profit at the metallurgy division jumped from Sch394m to Sch584m last year, and Mr Puehringer said the company was among the top three world suppliers of modern steel plants.

The first steel plant using VA Tech's new Corex technology had recently started operating in South Korea, and the company had orders for seven further Corex projects after only one year, the chairman said.

Earlier this month, VA Tech signed a letter of intent to build a large steel plant in Saudi Arabia.

In the energy and environmental technology division, operating earnings rose from Sch507m to Sch510m last year, and order inflow stagnated after several years of strong growth.

Operating profit in the plant engineering and service division fell from Sch225m to Sch126 because of restructuring costs at the loss-making electro-technical Elin unit.

SAP share price slips as analysts' forecasts queried

By Wolfgang Münchau in Frankfurt

A senior executive of SAP, the German business software group, has suggested that some analysts' profit forecasts were over-optimistic, prompting a 7 per cent fall in the share price yesterday to DM188.

Mr Henning Kagermann, a board member, said in an interview with VWD, a German economics news agency, that forecasts of a 50 per cent rise in earnings per share were too high.

The company confirmed the comments, stressing that they referred to the whole of 1996, and not the first quarter.

SAP is due to announce its first-quarter results later today. The announcement has been brought forward to counteract growing speculation about the business outlook, and has been keenly awaited by investors.

Mr Kagermann also hinted that SAP might list its shares on the New York Stock Exchange in 1997 or 1998. Daimler-Benz, the automotive group, is the only German company with a US listing.

SAP is best-known for its R/3 client-server software, which combines a series of specialist modules for various business areas, including cost accounting, personnel and production planning. The company has been credited with having developed this market segment in the 1970s.

Partly driven by strong interest from abroad, SAP, the world's fifth largest software maker, was one of the top stock market performers in Germany last year, with a market capitalisation higher than that of Lufthansa and Volkswagen. However, SAP's shares have fallen 15 per cent since the beginning of the year.

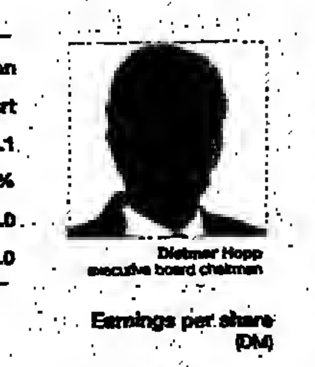
Mr Peter Thilo Hasler, an analyst at Vereinsbank Research, said: "This is not even the end of the correction. From a chartist's point of view, the shares are catastrophic. SAP is of course a solid company, but is essentially a one-product company, a product that everybody knows."

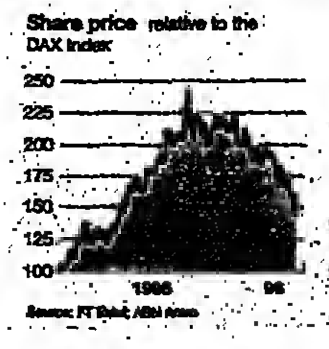
Last year, R/3 accounted for sales of DM1.65bn ($1.1bn), the single largest constituent in SAP's group turnover of DM2.69bn. Net profits increased 44 per cent to DM405m in 1995.

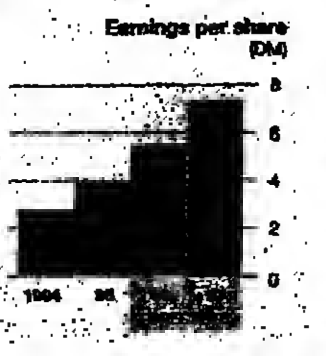
Earlier this month, SAP's share price was hit by a report from Forrester Research, a US consultancy firm, which forecast that the business software market would change fundamentally by the end of the decade and that R/3 would be rendered obsolete in its current form.

COMPANY PROFILE
SAP

Market capitalisation	$7.9bn
Main listing	Frankfurt
Historic P/E	134.1
Gross yield	4.34%
Earnings per share 1995	DM4.0
Current share price	DM188.0


Dietmar Hopp
executive board chairman





Source: FT Extel, ABN Amro

Gambro pays $75m for US renal care group

By Hugh Carnegy in Stockholm

Gambro, the Swedish medical technology group, yesterday moved to strengthen its position in global renal care markets by purchasing the US kidney dialysis company American Outpatient Services Corporation for a sum understood to be around $75m.

The acquisition is the latest step in a trend within renal care which has seen producers of dialysis equipment and machinery move into the service end of the sector by taking over clinics administering dialysis treatment to patients.

It follows the merger last month of the dialysis technology operations of Germany's Fresenius, one of Gambro's chief rivals, with National Medical Centers, the world's biggest chain of dialysis clinics previously wholly-owned by W. R. Grace, of the US. The resulting company, Fresenius Medical Care, is set to be the biggest operator in the $20bn worldwide renal care market.

Gambro, which was one of the first equipment producers to move into clinics, said the acquisition of 16 clinics run by AOSC would boost its patient list in the US by 20 per cent, or 1,150 patients, generating some $40m in annual turnover. It paid cash to Dr Lawrence Spira, the sole owner of AOSC.

AOSC's clinics will be combined with the operations of REN Corporation, a leading US dialysis chain which Gambro took full control of last year. In 1995, Gambro's healthcare services division had turnover of SKr1.45bn ($215m) out of total group turnover of SKr10.2bn. Gambro intends to increase its service operations to up to 25 per cent of group sales.

Mr Berthold Lindqvist, Gambro chief executive, said the AOSC purchase would have a positive effect on group earnings in the first year. Group pre-tax profits reached SKr1.27bn last year. He said the AOSC clinics achieved operating margins of up to 20 per cent and there would be synergy gains from combining laboratory services and from product supply opportunities.

Gambro said it was restructuring in the US to group all its dialysis operations, including equipment manufacture and dialysis clinics, into one integrated division in a move which echoed the creation of Fresenius Medical Care.

The AOSC acquisition is the first significant step taken by Gambro since it was fully taken over this year by Incentive, one of the Wallenberg empire's main holding companies. Mr Mikael Lilius, Incentive chief executive, said Incentive fully backed Gambro's growth plans, which Mr Lindqvist said included plans for further acquisitions in the service sector. "We certainly want to be bigger," he said.

Holzmann loss shocks market

By Andrew Fisher in Frankfurt

Shares in Philipp Holzmann, Germany's largest construction company, fell sharply yesterday after the surprise news that problems in the property market had caused heavy losses in 1995.

The shares closed DM34 lower at DM510, a fall of 6 per cent, after at one stage being down 11 per cent at DM485. Other construction shares were mixed. Analysts said the company's announcement on Monday night reflected both the weak property market and poor management. They also criticised Holzmann's investor relations, since the company said in February a "good dividend" would be paid.

German construction companies came under pressure as the property and building markets slowed last year after the post-unification boom; they have weakened further in 1996. The Ifo economics research institute said new construction investment this year would fall in real terms for the first time since 1990.

However, most other construction companies are not in as poor shape as Holzmann, which is heavily involved in property development and is therefore affected by falling rental values and land prices.

Barclays de Zoete Wedd's Frankfurt research team described the Holzmann news as "shocking". While the company had indicated two months ago that profits would be lower because of its project and road-building business, it had made no hint of a loss.

At UBS in Frankfurt, Mr Ingbert Faust, an equities analyst, said the announcement of the 1995 net loss of DM360m ($238m) could also weaken Holzmann's defence case against the takeover bid by Hochtief, its German rival. The news "can hardly be seen as strengthening Holzmann's case for independence".

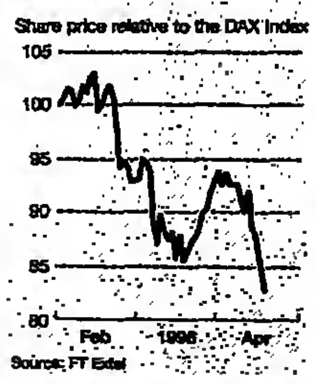
Hochtief owns 24.9 per cent of the company and hopes to acquire a further 10 per cent held by Commerzbank. However, the Federal Cartel Office has turned this down and the matter is with a Berlin court, after an appeal by Hochtief. First court hearings are expected around November.

Yesterday, Hochtief, in which the RWE utility has a 56 per cent controlling stake, said it still intended to press for amalgamation with Holzmann. Deutsche Bank holds a further 25.9 per cent of Holzmann, but has so far been silent.

Despite last year's DM460m of write-offs and special provisions – mainly on property development projects – Holzmann still had a considerable cash pile, Mr Faust said. It also has equity capital of DM1.7bn.

This year, he expected Holzmann's net profits to recover to about DM71m. In 1994, it earned DM120m. The company will give further details of its 1995 performance next month. It said the valuation problems stemmed mainly from Vebau, its Swiss-owned property development subsidiary. These were revealed in a report by auditors KPMG Deutsche Treuhand, commissioned after Holzmann doubled its Vebau stake to 100 per cent last year.

Holzmann



Source: FT Extel

Telefonaktiebolaget LM Ericsson (publ)
(LM Ericsson Telephone Company)

The Annual General Meeting of the Company will be held at the Victoria Hall, the Stockholm Fair at 5.00 p.m. on Wednesday May 8, 1996.

The following items will be on the Agenda of the meeting:

1. To present the Annual Report and the Auditors' Report
2. To present the Consolidated Accounts and the Auditors' Report on the Group
3. To approve the Profit and Loss Statement and the Balance Sheet
4. To approve the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet for the Group
5. To discharge the members of the Board of Directors and the Managing Director from liability
6. To determine the appropriation of the profits, provided the Balance Sheet is approved
7. To fix the record day for payment of the dividend declared
8. To determine the number of members and deputy members of the Board of Directors and the number of deputy Auditors
9. To determine the remuneration payable to the members of the Board of Directors and to the Auditors
10. To elect members of the Board of Directors and deputy members
11. To elect Auditors and deputy Auditors
12. To approve the Board of Directors' proposal to change the Articles of Association by adding a new §7
13. To approve a proposal by The Swedish Shareholders' Association ("Aktiespararna") to appoint a committee to propose members of the Board and Auditors to be elected at the next Annual General Meeting and their remunerations.

Shareholders intending to participate in the Annual General Meeting shall give notice of attendance to the Head Quarters of the Company, Corporate Legal Affairs, S-126 25 Stockholm, tel. nos: +46 (0)8 719 3444 or 719 4498 between 10.00 a.m. and 4.00 p.m. daily, or by facsimile no. +46 (0)8 719 9527, not later than on May 3, 1996.

In addition to the above requirements, shareholders intending to participate in the Annual General Meeting must be entered to the share register kept by Vaerdepapperscentralen VPC AB (Swedish Securities Register Centre) not later than on April 26, 1996.

Shareholders, whose shares are registered in the name of a nominee, must temporarily be entered into the share register in order to be entitled to participate in the Meeting. The shareholder is requested to inform the nominee in due time before Friday April 26, 1996, when such registration must have been made.

In order to participate in and to vote as proxy on behalf of a Shareholder at the Meeting a power of attorney must be presented.

The Board of Directors has proposed May 13, 1996, as the record day for payment of dividends. Provided this proposal is approved, the dividend is expected to be dispatched by Vaerdepapperscentralen VPC AB on May 21, 1996.

April 1996 — The Board of Directors.

FIDELITY SPECIAL GROWTH FUND
Société d'Investissement à Capital Variable
Kansallis House, Place de l'Etoile
B.P. 2174 L-1021 Luxembourg
R.C. No B 22250

DIVIDEND NOTICE

At the Annual General Meeting held on March 28, 1996, it was decided to pay a dividend of US$ 0.05 (cents) per share on or after April 26, 1996 to shareholders of record on April 4, 1996 and to holders of bearer shares upon presentation of coupons no 10.

Paying Agent: KREDIETBANK S.A. LUXEMBOURGEOISE
43, Boulevard Royal
L-2449 Luxembourg

Fidelity Investments

CREDIT LOCAL DE FRANCE
FRF 750,000,000 REVERSE FLOATER BONDS DUE 2000
ISIN CODE : XS0043078954

For the period April 15, 1996 to October 14, 1996
the new rate has been fixed at 9,54395 % P.A.
Next payment date : October 14, 1996
Coupon nr : 6
Amount : FRF 474,55 for the denomination of FRF 10 000
FRF 4745,46 for the denomination of FRF 100 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST-LUXEMBOURG

LEGAL NOTICES

CENTERCORE (UK) LIMITED
(In liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above named company are required on or before the 8th day of May 1996 to send their names and addresses and particulars of their debts or claims and the names and addresses of their solicitors (if any) to David John Pallen, of Becket House, 1 Lambeth Palace Road, London SE1 7EU the Liquidator of the said company, and, if so required by notice in writing from the said Liquidator, by their solicitors or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 28th day of March 1996
O J Pallen
Liquidator

Reports of the undermentioned companies for the quarter ended 31 March 1996 were released to the relevant Stock Exchanges yesterday and have been published in the press in South Africa today:

Deelkraal Gold Mining Company Limited
Driefontein Consolidated Limited
Kloof Gold Mining Company Limited
Gold Fields Coal Limited
Northam Platinum Limited

Copies of the reports will be posted to all shareholders of the companies, but are also available to the public from the London Secretaries, Gold Fields Corporate Services Limited, Greencoat House, Francis Street, London SW1P 1DH.

17 April 1996

NEWS DIGEST

Capital expenditure slips at Gold Fields

Gold Fields, the most troubled of South Africa's gold mining houses, reported a modest increase in operating profits for the March quarter, but this was not enough to finance an increase in capital expenditure at its ailing mines. After-tax profit was R297.9m ($70.7m), compared with R268.1m in the previous quarter.

Analysts said higher capital expenditure – which fell from R218m to R195m, after reductions at all three of the group's mines – was vital to prolonging the working lives of the mines.

Higher bullion prices were reflected in an average gold price received of R47,945/kg against R45,202 in the previous quarter. However, production for the period, which runs from December 18, was disrupted by the Christmas break and tons milled declined to 2.63m from 2.81m.

Mark Ashurst, Johannesburg

BHP-Vietnam talks continue

Broken Hill Proprietary, the Australian energy and minerals group, was yesterday still locked in talks with Vietnamese state oil agency PetroVietnam about the future of its stake in the offshore Dai Hung oilfield. It has now missed a deadline for a decision on whether to pull out. The Australian company wants the terms of its revenue-sharing contract with PetroVietnam altered to reflect dramatically lower than expected reserves at the field, which was once considered Vietnam's most promising.

Production has dropped to about 12,000 b/d from 35,000 b/d since the field started producing crude oil in October 1994. BHP is understood to be looking for a change in the tax structure in the contract it signed with the Vietnamese in 1993, in order to enhance the financial returns.

Melbourne-based BHP has a stake of around 44 per cent stake in the field, with the rest held by PetroVietnam, Total of France, Malaysia's state-owned Petronas and Sumitomo Corp of Japan.

Jeremy Grant, Hanoi

Jakarta SE board ousted

Shareholders at the Jakarta Stock Exchange have ended months of bitter political warring between the exchange and Indonesia's capital markets supervisory board by electing a new board of directors with a strong technical background. Market participants hope the move will spur the process of modernising the exchange's trading activities.

Mr Cyril Noerhadi, the former director of the exchange's clearing desk, has been elected president-director. He heads a team which includes two of the exchange's current directors, Mr Felia Salim and Mr Mas Achmad Daniri, as well as Mr Edwin Stamboel, a director of a local securities house.

The elections caused controversy because the previous board of directors was voted in only a year ago. Bapepam, the capital markets supervisory board, has also been accused of calling the elections to get rid of directors it did not agree with, although the supervisory board insists the elections were necessary to conform with new capital market laws.

Manuela Saragosa, Jakarta

Coles executive's role expanded

Mr Dennis Eck, the US retail executive brought in two years ago to run the supermarket operations of Coles Myer, Australia's biggest stores group, was yesterday given responsibility for Coles' entire retail operation. Mr Eck, who moved to Coles from California-based Vons Supermarkets, will also join the Coles Myer board, which was revamped last year in the wake of concerns over corporate governance standards within the group.

Coles has seen a number of top-level departures recently. Among the long-standing Coles executives who departed were Mr Peter Wilkinson, head of the department store group and the newly-formed "options shopping" division, and Mr Bob Dalziel, who ran Coles' discount stores unit.

Nikki Tait, Sydney

GMK behind after nine months

Gold Mines of Kalgoorlie, one of the Australian mining companies in Mr Robert Champion de Crespigny's Normandy stable, yesterday reported an improved A$10.7m (US$8.5m) profit after tax (but before abnormals) for the three months to end-March.

However, this still leaves net profits for the first nine months of the financial year at A$18.9m, almost half the A$35.4m seen in the same period a year ago. GMK said the March quarter saw gold sales of 111,570 ounces, at an average realised price of A$610 an ounce, with operating costs falling from A$460 an ounce in the previous quarter to A$415. The December quarter was affected by disruptions to activity at the Fimiston SAG mill.

Nikki Tait

Seven Network purchase cleared

Shareholders in Seven Network, the Australian television commercial network, yesterday approved the purchase of the privately-owned Golden West Network from Mr Kerry Stokes, the Perth-based media entrepreneur, for around A$70m. Mr Stokes already owns about 20 per cent of Seven. Golden West is the only TV broadcaster in Western Australia.

Nikki Tait

Telstra to take ISSC stake

Telstra, Australia's large government-owned telecommunications group, is to take a minority stake in ISSC Australia, the information technology joint venture set up between IBM Australia and Lend Lease two years ago.

Nikki Tait

Higher costs drag Tsingtao to surprise 9.6% fall

By Louise Lucas in Hong Kong

Tsingtao Brewery, the first China enterprise to obtain a listing on the Hong Kong stock exchange, yesterday reported a 9.59 per cent decline in net profits, from Yn108.16m in 1994 to Yn98m ($11.8m) last year. The result fell sharply below market expectations of around Yn120m.

With production and sales growing strongly, the company blamed the fall in earnings to squeezed profit margins: the cost of raw and perishable materials increased significantly during the year. Also, attempts to lure beer drinkers away from competing foreign brands meant the company spent a larger portion of profits on marketing. Tsingtao said its operating costs were almost Yn100m higher than the previous year.

Shareholders, who have witnessed a number of disappointments since the initial public offering was 111 times oversubscribed in July 1993, are to receive a reduced dividend of Yn0.08 compared with Yn0.09 in 1994.

Foreign brands such as Foster's, Carlsberg and San Miguel have poured into the mainland market in the past two years and, despite commanding a price premium of 50 to 60 per cent over Tsingtao, have attracted a strong following on the back of their perceived prestige. Tsingtao, the best-known domestic beer brand, has a market share of only 2.5 per cent, according to analysts.

Tsingtao's own efforts to win drinkers abroad have also faltered, partly because of the strong presence of brands like Tiger and Foster's in their respective home markets. At the time of its listing, Tsingtao stressed its export potential as a useful stream of foreign exchange – but one analyst calculates only around 5 per cent of its overall output is exported.

"They are making a painful adjustment to increased competition," he said. "Tsingtao is not too good at competing with the savvy players from the west. But I think in time they will be able to adjust to the environment and do a better job."

Tsingtao is also thought to be burdened with under-performing acquisitions. Poor transportation in China makes it difficult to create a national brand, and Tsingtao has sought to buy up breweries throughout the country to improve its distribution. Yangzhaou Brewery in Jiangsu province, north of Shanghai, was bought in 1994 and is reckoned to be still making losses.

Mr Liu De Yuan, chairman, said the group also had plans to build a brewery with an initial annual production capacity of 100,000 tonnes in Shenzhen, across the border from Hong Kong. Late last year it invested Yn82.5m in a joint venture in Xian, which now produces 60,000 tonnes a year.

Earnings per share fell 9.17 per cent from Yn0.12 in 1994 to Yn0.109 last year.

Consumer growth drives surge at SM Prime

By Edward Luce in Manila

SM Prime, the Philippines' largest shopping mall company, lifted net income by 49 per cent to 1.51bn pesos ($57.6m) in 1995, on the back of rapid growth in the national retail market.

The company, which was listed on the Philippines stock exchange in 1994 but remains majority-owned by Mr Henry Sy, a leading Chinese-Filipino businessman, said revenues rose 24 per cent to 3.08bn pesos last year. The 15 per cent growth in retail and personal consumption expenditure in 1995, and the rise in rentals charged to lessees in the company's five malls, contributed to the earnings surge.

Analysts say the company's plans to build another four malls in provincial capitals by 1998 – adding more than 400,000 sq m of retail space to its existing 1.1m sq m – would add 40 to 60 per cent to incremental revenues.

SM Prime, which owns the largest shopping mall in Asia – Megamall, in Manila, at 331,000 sq m – recently unveiled plans to construct the "Mall of Asia" in Manila which, at 500,000 sq m, would overtake Minnesota's Mall of America to become the largest in the world. The mall will be built at a cost of 5bn pesos.

"SM is becoming very popular with foreign portfolio investors because it is such a pure play," said Mr Lucio Soso, chief researcher at All Asia Capital in Manila. "As a shopping mall outfit it is easy to follow and is benefiting from the growth in retail spending. But its shares are pretty expensive in comparison with other companies."

At a price/earnings ratio of 43, SM Prime's shares are more than twice as expensive as the average p/e on the Philippine exchange. But the shares, which closed slightly down yesterday at 7.8 pesos, are trading at a 4 per cent discount to net asset value.

Analysts say the country's buoyant retail sector is poised for a shake-out over the next two years if Congress – as expected – opens up the sector to 100 per cent foreign ownership later this year.

SM Prime, which has a 35 per cent share of Manila's mall market, is expected to benefit from the boost to demand provided by the entry of foreign department stores. Several companies, including Makro, of the Netherlands, and Marks and Spencer, of the UK, have expressed interest.

China studies UK telecoms proposal

By Tony Walker in Beijing and John Ridding in Hong Kong

The Chinese government is assessing British Telecom's planned £34bn ($51.3bn) merger with Cable and Wireless, which owns 57.5 per cent of Hongkong Telecom. An official of China's ministry of post and telecommunications said yesterday the government could not indicate its stance at this stage.

He said earlier comments by a spokesman for the ministry, in which he appeared cool on the merger, were "his own view" and did not necessarily reflect Beijing's position.

Beijing's blessing for the merger, either conveyed explicitly or implicitly, will be critical because of the importance of Hongkong Telecom to the eventual deal.

"We are still in the process of assessing the consequences of a possible merger. We are not sure what the attitude of State Council [cabinet] will be," the official said.

His comments came just a few days after a visit to Beijing by a high level British Telecom team led by Mr Alan Rudge, its deputy chief executive. Mr Rudge's discussions with senior Chinese ministry representatives are understood to have been "encouraging".

Hongkong Telecom is poised to play an increasing role in mainland telecommunications after China's takeover of the colony in mid-1997. British Telecom would regard Hongkong Telecom's entry into the lucrative China market as a valuable element of the merged enterprise.

Hongkong Telecom would also provide a platform for expanded services throughout the Asian region. China does not currently permit foreign telecommunications companies to become operators of mainland communications networks. However, it has not ruled out such a possibility in the future.

هكذا من الأصل

Chase surprises with 13% rise in revenues

By Richard Waters in New York

Chase Manhattan and Chemical Banking capped their recent merger with a 13 per cent jump in revenues in the first quarter of this year, a performance which outstripped analysts' expectations.

The sharp rise, on the back of higher trading revenues, comes at a time when the prospect of slow growth has prompted a spate of mergers among big US banks, including that of the two New York institutions.

Other banks to register double-digit revenue growth in the latest period include Citicorp, the second-largest US bank, with a 10 per cent rise to $5.1bn; BancOne, which saw revenues climb 18 per cent to $1.7bn; and Wells Fargo, whose revenues rose 14 per cent to $1bn.

The comparisons are with a weak first quarter in 1995, when the big money centre banks suffered declines in trading revenues, and, in the case of BancOne, reflect the results of an acquisition.

The new Chase's trading-related income climbed from $148m a year ago to $487m. Fees from corporate finance of $224m, from trust and investment management of $265m and from credit cards of $233m, also rose strongly, leading to a 20 per cent increase in total non-interest income, to $1.87bn.

Net interest income rose 4 per cent to $1.92bn.

With costs up only 2 per cent from a year before, the higher revenues produced a 44 per cent jump in operating earnings, to $637m.

A $1.7bn restructuring charge forced the bank into a loss. However, at 32 cents a share, this was considerably less than the stock market had expected.

Mr Walter Shipley, Chase's chairman, said the results reflected a "solid, balanced performance" across the range of the group's businesses, and put it "firmly on track" to meet the performance targets it had announced earlier.

Earnings at Citicorp, meanwhile, continued to be fuelled by growth in emerging market countries, with the bulk of the advance coming from its corporate banking activities.

The bank's income from foreign exchange and other trading activities fell $49m to $295m.

The share of Citicorp's earnings accounted for by its businesses in emerging markets rose to about 63 per cent of the total, from 54 per cent a year before.

Citicorp's earnings in the developed world were held back by a $103m decline in trading and venture capital gains, and by higher charge-offs in its US credit cards business.

In line with other big card issuers, Citicorp reported a sharp rise in both revenues and credit costs from its card activities. Credit costs worldwide rose to $547m, up from $170m a year before, leaving net income from the business unchanged at $265m.

Walter Shipley: Chase on track to meet performance targets

Helped by continuing share repurchases, which totalled $730m in the period, the bank registered a 14 per cent advance in earnings per share on net income which was up 10 per cent. The results were broadly in line with analysts' projections.

US BANKS – FIRST QUARTER

	Net income ($m) 1996	Net income ($m) 1995	Eps ($) 1996	Eps ($) 1995
Chase Manhattan	(89)†	650	(0.32)	1.33
Citicorp	914	829	1.75	1.53
BancOne	346	302	0.77	0.68
Wells Fargo*	264	233	5.39	4.41
First Interstate*	(23)†	212	(0.36)	2.66

† Figures include merger-related expenses
* Wells completed its acquisition of First Interstate after the end of the quarter

Johnson & Johnson and Pfizer show growth

By Richard Waters

Johnson & Johnson and Pfizer reported revenue increases of 19 per cent and 15 per cent respectively for the first three months of the year, thanks largely to a jump in sales of recently introduced pharmaceutical products.

The growth fuelled a 21 per cent advance in net income at Johnson & Johnson to $790m, or $1.19 a share, putting it comfortably ahead of market expectations.

Pfizer's after-tax earnings rose 23 per cent to $517m, or 81 cents a share.

Johnson & Johnson's pharmaceutical sales climbed 19 per cent during the opening three months of the year, to $1.6bn, driven by a 31 per cent advance in sales in the US.

The healthcare group's professional products division, meanwhile, registered a 34 per cent increase in sales to $2bn, thanks in part to its acquisition of Cordis earlier this year. Revenues from consumer products climbed 13 per cent to $1.6bn.

By holding down the growth in its selling, marketing and administrative expenses to 16 per cent, Johnson & Johnson managed to lift its pre-tax profit margin to 21.1 per cent, from 20.5 per cent the year before.

Pfizer, meanwhile, continued to display powerful growth from a small batch of new drugs, lifting its revenues to the first quarter to $2.7bn.

Leading the increase were a 46 per cent rise in sales of Norvasc, a cardiovascular drug, to $388m; a 34 per cent advance for Zoloft, an anti-depressant, to $317m; and a 53 per cent increase in sales of Zithromax, a treatment for herpes, to $159m.

● Genentech, the US biotechnology company controlled by Roche of Switzerland, reported a 12 per cent fall in net income for the first quarter of the year.

Its after-tax profits slipped to $38.2m, or 31 cents a share, as revenues edged up 2 per cent to $243m.

The decline stemmed in part from an increase in research and development costs, which climbed 22 per cent to $118m in the period.

Mr Arthur Levinson, chief executive, said the high research and development spending was likely to continue "for the short term", as the company ploughs "close to half" its revenues back into development spending.

The latest results reflected a new arrangement with Roche under which the Swiss group will take over the sales of some Genentech products, in return for higher royalty and other fees.

Sprint rings up 39% advance in first quarter

By Tony Jackson in New York

Sprint, the US long-distance phone company which has formed an alliance with France Telecom and Deutsche Telekom of Germany, increased first-quarter earnings 39 per cent to $312m, on revenues up 10 per cent at $3.4bn.

Earnings per share, diluted by the issue of shares to the company's French and German partners, rose 22 per cent to 78 cents.

Growth was strongest in long-distance telephony, with revenues up 14 per cent to $2bn and operating income up 47 per cent to $226m. Sprint said the increase in long-distance minutes of use, at 17.3 per cent, was the biggest it had experienced since the 1980s.

Income from local telephony rose 23 per cent to $332m on revenues up 9 per cent at $1.2bn. Customer access lines rose 5 per cent to 6.8m.

Sprint said capital expenditure on its local network in the quarter had totalled $328m, compared with $143m in long-distance, and would account for about $1.1bn of a projected group total of $2.1bn for the year.

Global One, the Franco-German venture, began operation on February 1 and in the next two months had revenues of a little over $100m. Sprint's share of its losses came to $15m before tax, or 2 cents net per share.

Sprint Spectrum, the wireless partnership set up with a group of US cable companies, incurred a pre-tax loss of $17m to the quarter, or a net 3 cents a share.

Sprint's existing cellular operations were spun off to shareholders in early March.

● Ameritech, the Chicago-based regional phone company, raised first-quarter earnings 14 per cent to $478m, or 86 cents a share, on revenues up 13 per cent at $3.6bn. Access lines rose 5 per cent to 19.3m, while minutes of use rose 10 per cent. Cellular customers increased 43 per cent to more than 2m.

● GTE, the nationwide local phone company, increased first-quarter earnings 11 per cent to $608m, or 62 cents a share. Revenues were up 6 per cent at $5bn. Access lines increased 7 per cent to 18.8m and minutes of use rose 10 per cent. Cellular subscribers worldwide rose 29 per cent to 3.7m.

US paper shares jump despite falls in profits

By Maggie Urry in New York

US paper companies' shares jumped yesterday as analysts took a more positive view of the sector despite further news of falling earnings, this time from Weyerhaeuser, the integrated forest products group.

Weyerhaeuser announced a drop in first-quarter earnings from $207m to $142m and warned that second-quarter profits would also fall. Earnings per share fell from $1 to 72 cents. The results followed lower first-quarter profits from other large paper groups last week, such as Georgia-Pacific, International Paper, Champion International and Boise Cascade.

In morning trading, Weyerhaeuser shares rose $1½ to $48¾, while Georgia-Pacific was up $3⅜ to $75⅛, International Paper rose $1¼ to $41¼, Boise Cascade gained $2⅞ to $45⅝ and Champion International added $3 to $50.

Analysts at PaineWebber and Merrill Lynch turned positive on many stocks in the sector yesterday. Paper companies' shares fell sharply in the second half of last year when investors realised the rapid rise in paper prices was ending. However, the sector has begun to recover in recent weeks as analysts suggested shares looked good value at lower levels and that an inventory correction by customers was nearing an end. Paper stocks have also benefited this year from a switch to cyclical stocks on expectations of an acceleration in economic growth.

Mr John Creighton, president and chief executive officer of Weyerhaeuser, said the first quarter was affected by "rapidly declining prices for most pulp, paper and packaging products and significantly lower wood products prices". He blamed the falling prices on customers using their own stocks rather than placing new orders.

Operating earnings from the timberlands and wood products division fell from $241m to $152m, while those from pulp, paper and packaging dropped from $208m to $162m.

NEWS DIGEST

Bank of Montreal in US expansion

Bank of Montreal, Canada's third-largest bank, is expanding its retail banking presence in the US through its wholly-owned Chicago subsidiary, Harris Bank, in a deal worth US$277m.

Harris plans to buy 54 Chicago area branches of Household Bank, a unit of the big Household International financial services and credit card group. The branches have deposits of $2.9bn and loans of $300m.

It is the second expansion by Harris in two years – in 1994 it bought Bancorp, also in the Chicago area. With the Household branches, Harris Bank's network will rise from 42 in 1993 to 140.

Mr Matthew Barrett, chairman of Bank of Montreal, said Harris would continue to add four or five branches a year and may seek other opportunities in the Chicago area. The bank would also weigh expansion elsewhere in the US if the right opportunity occurs. "Our objective is to provide one-stop financial services throughout the Nafta area," he added.

Last month Bank of Montreal bought 16 per cent of Bancomer, Mexico's second-biggest bank, for $456m.

Harris Bank posted record first-quarter net profit of $43.6m, up 15 per cent from a year earlier, with strong loan growth, tight cost control and a $2.4m special gain. Annualised return on equity was 15.2 per cent against 13.6 per cent.

Robert Gibbens, Montreal

Caterpillar slips to $296m

Caterpillar, the US agricultural machine company, announced net income for the first quarter down from $300m to $296m, on revenues reduced from $3.9bn to $3.8bn. However, earnings per share rose from $1.50 to $1.53 as a result of a share buy-back programme. Domestic sales fell 5 per cent to $1.88bn and sales outside the US were flat at $1.8bn, as improved prices offset lower volume.

Worldwide industry demand for machines is expected to remain near 1995 levels as lower demand in North America is nearly offset by stronger demand elsewhere, the company said. But worldwide demand for engines is likely to decline, as a forecast drop in the North American industry is not expected to be fully offset by growth in the rest of the world, the group added.

Agencies, Illinois

Cott suspends dividend

Cott, the Canada-based international private-label soft drinks producer, has suspended its quarterly dividend of 2.5 cents a share until "reasonable profitability" returns.

The fourth-quarter loss was C$44.6m (US$32.9m), or 74 cents a share, after C$29.2m restructuring charges, against a profit of C$701,000, or 1 cent, a year earlier. Sales were C$282m, up 4 per cent. For the year ended January 27, the loss was C$29.4m, or 49 cents, against a profit of C$34.8m, or 57 cents. Sales were up 20 per cent to C$1.3bn.

Robert Gibbens

Inco posts $63m for first term

Inco, of Canada, the world's largest nickel producer which recently won control of the Voisey's Bay nickel deposit in Labrador, announced first-quarter net earnings of $63m, against $68m last time. Earnings per share fell from 57 cents to 49 cents on flat revenues of $879m.

Results for 1995 were restated to include an after-tax charge of about $4m, or 3 cents a share, to reflect the adoption of accrual accounting for healthcare and life assurance benefits. Revenues reflected lower nickel and copper prices, the company said, partially offset by higher deliveries of cobalt and company-produced nickel.

Financial Staff

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Architects of value

This week I became Chairman of the Board of Bankers Trust, an extraordinary institution on the forefront of global finance. I take on this responsibility with great enthusiasm about the opportunities before us and confidence that we will become an even stronger and more successful firm in the years ahead. And all of us at Bankers Trust thank Charlie Sanford, on the occasion of his retirement, for his years of truly exceptional leadership of the firm.

This seems an appropriate time to offer some comment about the character and future of the firm to our clients, shareholders, and our colleagues worldwide.

At Bankers Trust, we combine extensive global resources with a true spirit of innovation, to build value for our clients. We strive to work with these "building materials" in the same collaborative, performance-oriented way that the best architects bring elements of design and construction to their work with their clients.

In this sense, the people of Bankers Trust are architects of value.

We endeavor to work together with our clients to analyze their financial needs and opportunities, using our considerable global resources in the broadest context. And we use innovation -- harnessed and focused as a responsible problem solving tool -- for the benefit of our clients. No one in the world does this better than Bankers Trust.

Over the years, Bankers Trust has assembled some of the most talented and creative people in finance into what is today an outstanding global organisation. Our resources have been designed and built based on a truly global strategy, enabling the firm to provide financial services at the highest level, worldwide, for the most demanding clients.

Although I've been here only a relatively short time, it's become clear to me that our people are among the most intelligent, innovative, diverse, and entrepreneurial in the business world.

Well capitalised, with a balanced set of businesses, the firm has a solid foundation for the future -- and anticipating the future and preparing to deal with it innovatively is one of the things that Bankers Trust does best.

At its heart, I've found the Bankers Trust culture to represent the highest professionalism, and its abilities to be of the highest order. We have great strength at global finance. We excel at investment management, private banking, and processing services. We have worldwide expertise in trading and sales for clients and for our own accounts. And we are second to none in risk management. But we know that these capabilities are meaningful only as they are applied in the service of our clients.

I thank our many clients all around the world for the opportunity to develop ideas together and make them work. All of us at Bankers Trust look forward to working with you, and with new clients, on ways to build value together in the months and years ahead.

--Frank N. Newman
Chairman
Chief Executive Officer

Bankers Trust

Strong cigarette sales lift Philip Morris

By Richard Tomkins in New York

The growing popularity overseas of American-style cigarettes helped Philip Morris, the biggest US tobacco company, increase net income by 15 per cent to $1.6bn in the first quarter, excluding the effects of accounting changes.

Earnings per share, boosted by the company's extensive stock buy-back programme, increased 18 per cent to $1.89, just beating analysts' consensus forecast of $1.88.

Philip Morris International sold 176bn cigarettes in the first quarter, 13 per cent more than a year earlier, and the division's operating profits rose 17 per cent to $1.1bn.

Cigarette volume rose in most big markets, but it was particularly strong in eastern Europe, where volume climbed 51 per cent on the strength of international brands such as Marlboro, L&M, Bond Street and Chesterfield, and local brands such as Kazakhstan.

Volumes in central Europe were also up strongly, helped by Philip Morris's acquisition of a controlling interest in ZPT-Krakow, Poland's largest cigarette company, during the quarter.

Philip Morris's domestic tobacco business also did well. Against a continuing downward trend in US consumption averaging between 1 per cent and 2 per cent a year, Philip Morris increased shipments by 7 per cent to a record 54bn cigarettes. Operating profits rose 11 per cent to $971m.

In part, the increase in shipments reflected a lumpy order flow from wholesalers. But the company's share of retail sales also rose to a record 48.7 per cent, and its flagship Marlboro brand increased its market share by 1.8 percentage points to a record 32.4 per cent.

Kraft Foods, Philip Morris's domestic food business, was another strong performer. Excluding divestments, operating profits rose 7 per cent to $685m, helped by strong volume gains across most lines. However, the Post breakfast cereal division saw volume declines because of higher promotional spending by market leaders and continued pressure from low-price brands.

On Monday, Philip Morris announced a 20 per cent cut in its breakfast cereal prices to increase volume and win back market share, bringing comparisons with a similar move it made three years ago to restore the market share of Marlboro and its other premium cigarette brands.

The weakest of the four big divisions was international food, which saw flat operating profits of $263m. Philip Morris attributed the result to an unusually good quarter last year and increased spending on advertising and promotion.

See Lex

Eastman Kodak ahead and plans $2bn stock buy-back

By Tony Jackson in New York

George Fisher: $2bn buy-back provides value to shareholders

Unexpected strength in consumer products helped Eastman Kodak raise first-quarter net earnings by 5 per cent to $274m, or 80 cents a share. The company also announced a $2bn stock buy-back programme.

The market had expected earnings of about 75 cents a share, down from 77 cents last year. Combined with the buy-back, the earnings surprise pushed the shares up $3¾ to $72¾ in early trading.

US sales in consumer imaging – consisting mostly of film and photographic paper – rose 15 per cent to $558m, while international sales were up by the same amount to $897m.

Mr Harry Kavetas, chief financial officer, said revenue growth in the division had now exceeded 10 per cent in six of the past seven quarters. "It wasn't so many years ago that people were saying this business was mature or geriatric," he said.

Earnings from consumer imaging worldwide were up 10 per cent at $161m. Mr Kavetas said the fall in margins was due chiefly to higher advertising and sales promotion, particularly on Advantix, the new camera and film system launched earlier this year in conjunction with Japanese rivals.

The strength of the consumer business was offset by continued difficulties in commercial imaging, where earnings were down 11 per cent at $239m. US sales were up only 1 per cent at $933m, and international sales by 6 per cent to $1,008m.

Kodak said this was due partly to severe competition and loss of market share in commercial graphics, particularly to the printing industry. It also cited pressure on conventional microfiches and microfilms, which are being particularly affected by the switch to digital imaging.

Mr Kavetas said the decline was not caused by difficulties in the photocopying business, which Kodak has suggested may be for sale. The business made a profit, he said, approximately equal to last year's.

He added: "I'd be very surprised if we end up with no change to that business, but what it will be is more uncertain. There may be a remaining Kodak interest, but it is reasonable to expect there will be other investors involved."

Mr George Fisher, chairman and chief executive, said the $2bn stock buy-back, which comes on the heels of an almost completed $1bn programme, showed Kodak's ability to provide value to shareholders while funding expansion and business development.

Arco confirms plan to build Rotterdam plant

By Jenny Luesby

Arco Chemical of the US yesterday confirmed that it would be building a plant in Rotterdam that would increase the world's output of propylene oxide, used to make polyurethane, by 9 per cent.

The plant, which will produce 285,000 tonnes a year of propylene oxide and 640,000 tonnes a year of its co-product styrene – used in many plastics – will be completed by the end of 1999.

Arco would not say how much it expected the plant to cost, but a similar plant, planned as a joint venture between Shell and BASF, is set to cost DM850m ($562m).

Analysts had suggested that Arco might abandon the Rotterdam investment, announced last July, following Shell and BASF's announcement.

The demand for propylene oxide has been growing at about 5 per cent a year, leaving it in short supply, but the market for styrene is already oversupplied. It is not possible to produce propylene oxide without producing styrene.

However, Arco said the project had now received board approval. In addition, a European company had agreed to make an equity investment in the plant in return for 30 per cent of its styrene output.

Arco was seeking similar arrangements for the remaining 70 per cent, it said yesterday. It has been estimated that by 1999, the supply of styrene will exceed demand by nearly 3m tonnes a year. This is likely to put the chemical under severe price pressure.

Arco is also expanding its styrene and polypropylena oxide output in the US, with an expansion at its plant in Channelview, Texas. This will lift the company's propylene oxide capacity by a further 50,000 tonnes a year and styrene by 112,000 tonnes a year, by early 1998.

Meanwhile, Dow Chemical is increasing its propylene oxide output in the Americas and Europe, Shell and Mitsubishi are planning a new propylene oxide-styrene plant in Singapore, for completion during 1997, and Repsol is considering a plant in Spain.

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odak ahead and stock buy-back

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COMPANIES AND FINANCE: UK

Tesco increases market share as profits rise 14%

By Christopher Brown-Humes

Tesco yesterday signalled a more cautious dividend policy but announced a sharp rise in its market share to 13.6 per cent.

The group also reported a 14.5 per cent jump in full-year pre-tax profits to £681m ($1.03bn) excluding disposal losses, as it shrugged off the impact of price wars.

Its market share climbed to 13.6 per cent from 12 per cent, allowing it to surge past its main rival, J. Sainsbury, which was stable on 12.6 per cent.

Analysts said Tesco was expanding its presence in non-food retailing areas, such as compact discs and videos, pharmacies and clothing, and taking an increased share of the petrol retailing market.

The group's shares slipped 3p to 237p, partly because of disappointment over changes to its dividend policy that are designed to free up funds.

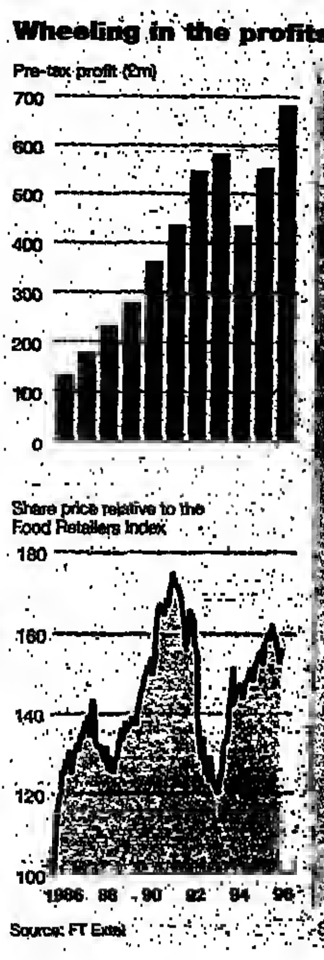
Although Tesco promised to maintain "progressive dividends", it said dividend growth would be closer to earnings growth than recently.

The group is planning to invest around £700m a year in the UK and Europe, a faster level of expansion than originally envisaged. It said it risked seeing its dividend cover fall below 2 times from 2.3 last year if it pursued this expansion while also pushing up dividends by 3 or 4 percentage points more than earnings.

The group is planning to open 24 new UK stores in the next year. It also wants to build on its presence in Europe, where it is active in France and eastern Europe.

Mr Tony MacNeary, food analyst with NatWest Markets, said: "Some fund managers are disappointed with the dividend move. There are concerns about what sort of returns the group is going to get on its investments in Europe."

Wheeling in the profits



Source: FT Extel

Sir Ian MacLaurin: chairman

Sale of European roof tile operations to German subsidiary Braas heralds period of change

Redland launches worldwide restructuring

By Andrew Taylor, Construction Correspondent

Redland yesterday launched a restructuring of its worldwide building materials business with the sale of its large western European roof tile operations to Braas, its German subsidiary.

The UK group will receive £220m ($334m) cash and increase its stake in Braas from 50.75 per cent to 56.5 per cent. Mr Robert Napier, Redland's chief executive, said the deal implied a value of £440m for the operation, which includes a large UK business and operations in the Netherlands, France, Belgium, Spain and Portugal.

Braas, which last year generated more than 60 per cent of Redland's group operating profits of £268.4m, had an implied value of £1.68bn.

Redland cut dividends by a third last year after failing to generate sufficient UK earnings to offset advance corporation tax liabilities and provide enough funds for expansion and capital investment.

Mr Napier said the sale would release cash from the German subsidiary and leave Braas to concentrate on running a unified European business accounting for 37 per cent of the region's pitched roof market.

Redland, which is expected to announce the sale of its UK brick business this month, will be left to develop roof tile businesses outside Europe and expand its large UK and US quarry operations. It has strategic stakes in roof tile groups in Thailand, Malaysia, Indonesia, China and Japan, making about 500m tiles a year.

Wienerberger, the Austrian brick producer and market leader in Germany, is considered favourite of four potential bidders for the UK brick operations.

Money from the both sales would be used to expand in developing markets and for bolt-on acquisitions of quarry companies in the UK and US, said Mr Napier. He ruled out a bid for Camas or Bardon, the UK's sixth and seventh largest aggregate groups and widely seen as takeover targets. He said they were too expensive at current prices.

The European roof tile businesses, to be run by Mr Erich Gerlach, Braas chief executive, will be renamed Redland Braas Building (RBB).

RBB will manufacture about 1.5bn tiles, generating an annual turnover of £1.3bn. It would be able to achieve big production and market benefits by operating under a common management. There were no plans for plant closures or substantial redundancies.

Following both sales, Redland expected to cut its net debt from £721m to about £270m-£300m, for gearing of between a fifth and a quarter.

Robert Napier: Proceeds will be used to expand in developing markets and to buy quarry companies

Further Hanson disposal with Eveready SA sale

By Motoko Rich

Hanson, the industrial conglomerate which has announced plans for a four-way demerger, has sold Eveready South Africa, the zinc carbon battery maker, to Duracell, a leading US battery maker, for R525m ($131.9m).

The business, acquired with Berec in 1981, was Hanson's only battery concern and its only operation in South Africa.

Hanson sold most of Berec's European operations to Duracell in 1982 and sold Eveready UK to Ralston Purina, the US pet food group, in 1992.

Duracell has bought the South African business, with sales of R365m in the year to September 30, for its dominant market position. The business is believed to have net assets of about $90m (£59m) and commands about 90 per cent of the South African battery market.

Duracell, with about 60 per cent of the world's alkaline battery market, will retain the Eveready brand in South Africa on zinc carbon and layer cell batteries. It will eventually consolidate the Duracell alkaline brand, which has been on sale there for about two years, with the Eveready brand.

The group said it had been approached by Hanson nearly a year ago with an offer to sell the business at a higher price. It said the acquisition, together with weakness in its European operations, would dilute earnings by about 5 cents per share in the year to June 30.

Mr Christopher Collins, vice chairman of Hanson, said the group, which has already raised $2.9bn from the sale of Cavenham Forest Products and Suburban Propane in the US, had made "substantial progress" with its disposal programme in advance of the demerger. It is understood to be in talks for the sale of its Seven Seas vitamins arm.

● Goldman Sachs has been appointed to advise Hanson on the demerger of its US chemicals interests. The US investment bank is the first of a string of advisers to be appointed in the next few weeks.

Lazards is favourite to advise Hanson on the demerger of its energy interests and Schroders for the demerger of Imperial Tobacco.

Thornton Asian to decide on bid

By Roger Taylor

The directors of the Thornton Asian Emerging Markets investment trust have until the end of tomorrow to decide whether to recommend the unsolicited £150m bid from rival investment trust TR Pacific.

Thornton will be reluctant to lose control of the fund with more than £150m under management, one of the worst performing trusts in its sector. Before TR Pacific announced its bid, the board, chaired by Lord Walker of Worcester, had already begun drawing up its own restructuring proposals, probably to convert it into a unit trust.

But Mr Peter Walls, investment trust analyst at Credit Lyonnais Laing, said: "I can't really see how the board are going to come up with anything better than the offer."

TR Pacific will be sending out its bid document on Friday. It is offering shares or cash. The cash offer is worth 98 per cent of what investors would be likely to receive on the wind up of the trust. The paper offer is worth about 2 per cent more than the cash offer. The share offer is at a premium of about 6 per cent to the market price.

Compass in line for French victory

By David Blackwell

Compass, one of the world's biggest catering groups, remained confident yesterday that it would win the battle for control of Eurest France, the French contract caterer.

Eurest France's 55 managers, who own 33 per cent of the shares, but 58 per cent of the voting rights, were meeting late yesterday over three different offers for their stake.

Compass acquired a third of the shares when it bought Eurest International from Accor for £591m ($898m) last July. The remaining shares, apart from a tiny number, are owned by Sodexho, the leading French contract caterer which also owns Gardner Merchant in the UK.

A third party has emerged as a potential buyer – Mr Robert Zoladz, who is a big shareholder in Generale de Restauration, second only to Sodexho in the French market.

Sodexho is offering up to FFr694m (£89.7m) for the Eurest managers' shares. Compass has not revealed its offer, but is understood to feel that the £170m raised in last December's sale of its healthcare business is sufficient to cover the cost.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Automotive Precision	Yr to Dec 31	24	(20.4)	6.11	(5.55)	10.1	(9.1)	3.3	May 31	3	5	3
Boosey & Hawkes	Yr to Dec 31	87.1	(82.7)	6.17	(5.09)	20.3	(17)	5.47	May 28	4.58	7	5.9
Cobham	Yr to Dec 31	227.7	(211.4)	28.8	(22.8♠)	26.23	(19.28)	6.6	July 5	5.62	9.65	8.32
Grados	Yr to Dec 31 ★	26.4	(22.6)	3.63♥	(3.13)	13.48	(12.05)	3.6	June 4	-	4.6	-
Jerome (S)	Yr to Dec 31	28.5	(26.9)	0.951	(0.725)	7.7	(9.2)	1.5	June 7	1	2.25	1.5
Peptide Therapeutics	Yr to Dec 31	0.16	(0.05)	3.61L	(2.72L)	20.2L†	(20.8L)	-	-	-	-	-
Sallire	Yr to Dec 30	212.7	(178.1)	2.27L♠	(2.82♥)	1.4L†	(3.6)	0.1	July 23	nil	0.1	nil
Tesco	Yr to Feb 24	13,028	(10,877)	675	(551♠)	22.2†	(18.9)	6.55	July 1	5.9	9.6	8.6
Tie Rack	Yr to Jan 28	96.6	(83.9)	7.93	(7.41)	9.87	(9.34)	2.25	July 30	2.25	2.75	2.25
Waste Mangmt Intl	3 mths to Mar 31	296.4	(278.7)	35.5	(33.7)	5.7	(5.8)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
HSBC China Fund ☆	Yr to Dec 31	1,553	(1,628)	7.23L♠	(1.58L♠)	13.39L	(2.92L)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ★ Comparatives restated. †On increased capital. ☆US currency.

Reuters will distribute funds to shareholders

By Geoff Dyer

Reuters, the financial information group, confirmed yesterday that it would distribute part of its £850m ($1.29bn) cash pile to shareholders by the end of the year.

Sir Christopher Hogg, chairman, told shareholders at the group's AGM: "Be patient – it [the surplus cash] will come to you in some form or another."

However, Sir Christopher refused to provide any further details on the method of returning funds to shareholders, which analysts expect to involve either a share buy-back or a special dividend.

At the same time, the group announced that revenues had grown by 14 per cent in the first quarter of this year to £713m (£628m). Excluding the effects of currency movements, revenue was 9 per cent higher.

The figures were in line with warnings the group has given during the last year that it might not achieve a "double-digit" revenue increase in 1996.

Mr Peter Job, chief executive, said the consolidation of the financial services industry had led to a slowing in the growth of sales of information products. Transaction products had continued to do well.

The new 3000 range of information products is to be launched at a three-day convention in Geneva this week.

Predictions that Reuters might return some funds to shareholders have been behind the 27 per cent rise in its shares since the beginning of the year. They have also been buoyed in recent weeks by speculation that the group would disclose its plans at yesterday's meeting. The shares closed down 2p at 749p, having dropped 21p at one stage, after no details were forthcoming.

Earlier this year the group stressed that the issue of share buy-backs in the UK was surrounded by complex and time-consuming legal issues.

In 1993 Reuters bought £350m of its shares through a tender offer, which allowed tax-exempt shareholders to receive a credit linked to the group's advance corporation tax. The Inland Revenue has refused to give clearance for similar schemes.

Capel-Cure management resist sale

By Nicholas Denton

Management at Capel-Cure Myers, the UK private client stockbroker, is resisting plans by its Canadian owner to sell it.

Canadian Insurance Group, which owns 95 per cent of Capel-Cure, has informed executives of the UK company that it wishes to renew its efforts to sell its interest to raise funds. But the Capel-Cura management, which owns the remaining 5 per cent, has refused to give its consent.

The management is exercising its right under the terms of a 1989 shareholders' agreement which precludes a sale without the approval of minority shareholders.

"They have asked us but there has been no agreement," said Mr John Henderson, chief executive of Capel-Cure. "They will not sell without that agreement."

Canadian Insurance Group is a consortium of banks which took the stake in Capel-Cure after the stockbroker's original owner, Central Capital Corporation of Canada, went bankrupt in 1992.

Capel-Cure is one of its few remaining assets, and it has come under growing pressure to liquidate the holding and recover funds for creditors of Central Capital.

Canadian Insurance has appointed Phoenix Securities to advise on options.

But it cannot formally mandate the investment banking boutique to sell Capel-Cura without the agreement of its management.

Despite reports that Banco Santander is willing to spend £40m acquiring the private client stockbroker, Capel-Cure said Canadian Insurance had assured it that no discussions, formal or informal, had taken place.

Southern rules out an offer for South West Water

By Patrick Harverson

Southern Company, the US-based utility which last year acquired Sweb, the Bristol-based electricity company, has ruled out a bid for South West Water.

According to sources close to Southern, the US group is about to conclude the purchase of a water utility but the target is a small foreign company outside the UK.

Speculation that Southern was planning an immediate offer for South West, which is already the subject of two bids, yesterday pushed the water company's shares up 13p to 729p.

The speculation began after Southern confirmed it was considering selling up to half of its interest in Sweb as part of its normal strategy of finding minority partners for overseas acquisitions.

It is in talks with about six serious bidders – institutions and companies from the US and the UK – and a decision is expected within two months.

Market talk of a bid in the water sector was accompanied by speculation that National Power, the UK generator, might receive a takeover approach this morning. Pacific Gas & Electric, the big California-based utility, was mentioned as a possible buyer.

Pacific confirmed it was pursuing opportunities outside the US, but said any investments would be on a small scale.

National Power shares rose 31½p to 521½p.

BAe expands with AWA Defence buy for A$54m

By Nikki Tait in Sydney and Simon Kuper in London

British Aerospace has bought AWA Defence Industries, the Australian defence electronics group, for A$54m ($41.8m).

BAe said the purchase would further its expansion plans in Australia and south-east Asia. It would probably also help its chances of winning the A$1bn contract to supply aircraft to the country's Lead-in Fighter Programme, to be awarded this year.

AWADI employs 700 and is involved in such products as missile decoy systems and surveillance equipment. It expects sales of A$150m in 1996 and the forward order book stands at about A$300m. BAe Australia, employing 900, makes military vehicle assembly, avionics and defence systems, and had sales last year of A$115m.

AWADI was previously 70 per cent owned by AWA electronics group and 30 per cent by South Australian Superannuation Funds Management Corporation. AWA said that it would book an abnormal profit of more than A$5m on the deal, receive about A$38m cash, and be released from bank guarantees of A$43m.

Directors said they would use part of the proceeds to buy back up to 10 per cent of the group's equity. Acquisitions were being sought and areas for expansion included the communications and entertainment sectors, where it designs betting systems, and interactive multimedia games.

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COMMODITIES AND AGRICULTURE

Argyle diamond cartel decision expected in June

By Nikki Tait in Sydney

Ashton Mining, the junior partner in Australia's giant Argyle diamond mine alongside Britain RTZ-CRA group, yesterday told shareholders that the joint venturers were likely to decide in June on whether the mine should break with the Central Selling Organisation when the current five-year marketing agreement expires.

The CSO, which is responsible for more than balf the world's trade in rough (uncut) diamonds, is controlled by the South African De Beers group. The Argyle partners have threatened to stop selling through the CSO and market directly, after expressing their unhappiness over CSO-imposed price cuts and a deferred purchase programme.

At its annual meeting in Melbourne, Ashton said that Argyle management was due to meet with the CSO for further discussions later this month. But it also indicated that it was giving considerable thought to the alternative marketing strategy.

"We are proceeding with some vigour along that track at the moment," Mr John Robinson, chief executive, commented.

The current agreement expires on June 30.

The company also said that the rough diamond market had been very buoyant in the first quarter of 1996, with prices for large gems and Indian goods firming above levels reached at the end of the previous quarter. "The main reason for the improved conditions was the reduced amount of Russian rough coming into the market," Ashton said.

● North, the Melbourne-based mining group, said that it had begun to restart mining operations at its Robe River iron ore facilities in the Pilbara region. The mine was closed last Wednesday, as Cyclone Olivia, the most intense tropical cyclone of the season, began to batter the Western Australian coast. The Robe River operations were the worst affected of the various mining interests in the region, with power being knocked out in the nearby mining town of Pannawonica and many of the homes there damaged.

Lihir gold expects output boost

By Kenneth Gooding, Mining Correspondent, on Lihir Island.

Lihir Gold, which is developing one of the world's biggest gold mines in the mouth of an extinct volcano bere, is now expecting a substantial increase to tha output it predicted during its US$450m flotation in October last year.

This would have a dramatic and beneficial impact on operating profits in tha early years of the mine, according to Mr Andrew Vickerman, general manager, finance and administration, of Lihir Management Company a wholly-owned subsidiary of RTZ-CRA. RTZ-CRA, the world's biggest mining company, also has a direct 17.5 per cent stake in the Lihir venture, situated 700km north-east of Port Moresby, the capital of Papua New Guinea.

Mr Vickerman said about 80,000 extra ounces of gold would probably be produced in 1998, Lihir's first full year of production. This would take the mine's annual output up from the previously forecast 472,000 troy ounces to about 550,000 ounces.

With operating margins expected to be about US$150 an ounce, this would generate $12m of extra operating profit.

Production in 1999 would probably be abont 675,000 ounces rather then the previously forecast 651,000. Mr Vickerman said Lihir also had about $100m available from its own reaources for further expansion and ba expected this would be implemented within two years to add more than one third to forecast gold production.

Lihir was now considering keeping its Brisbane-based engineering team together instead of disbanding it once the mine was up and running so the team could work with data from actual mining to assess the most economical way of expanding with the available financial resources and capital equipment.

Lihir previously announced it would add $8.7m to the cost of the project to process some oxide ore and produce 120,000 of gold next year while the original schedule called for first production to be from sulphide ore – which is more difficult to process – in December 1997.

Tha oxide scbeme would more than pay for itself said Mr Vickerman. It would enable three quarters of the processing plant to be tested six months ahead of the previous schedule and the workforce to be trained earlier.

This should enable a smooth start to sulphide ore processing. In any case, said Mr Vickerman, it was now clear Lihir had been too cautious in its estimates about the performance of parts of the plant and therefore about potential gold production levels.

Mr Vickerman said a decision about further expansion would probably be taken within two years. On his present "ball park" calculations Lihir could use its $100m to boost annual output to about 900,000 ounces. However to move production to 1m ounces would require extra spending on more capital equipment.

Mr Vickerman was also bullish about the mine's long-term prospects and the chances of finding more gold on Lihir.

Gold project has a heroic aura for Tajiks

Karen Taylor on the opening of the Central Asian republic's Zeravshan development

Nelson Gold has a heroic sounding name and a little of the admiral's aura rubbed off on the investors and brokers who attended the opening of tbe company's Zeravsban Gold operations in Tajikistan, central Asia. Welcoming parties, dancing girls, singers and musicians, not to mention the deputy prime minister and his entourage, made it perfectly plain that what might seem a nugget of a gold company in global terms – current capacity is around 60,000 troy ounces a year, working up to 80,000 – is a considerable gold mine for the Tajiks.

Postponing the new year celebrations in bonour of the new project (the government has a 51 per cent stake and Nelson 49 per cent) deputy prime minister Kholis Temurjanov extolled the virtues of such joint ventures and attempted to allay political risk concerns at a televised reception. With civil war still rumbling in the south of the country and Temurjanov's government the third in five years, these concerns were paramount among sceptical guests. But Mr Temurjanov was not going to allow political jitters to undermine the most important project the country has.

"This venture is very important for our country," he said, "because the projects we are working on will last for a long time. Gold reserves in the valley are around 1,000 tonnes. It is also important because this is a transition period for us from a socialist to a market economy. Furthermore this joint venture is a harbinger for all the others to come. It brings us closer to the West, brings advanced technology from the UK and America, and is also training for our people, bringing new levels of culture and civilisation.

> 'This joint venture is a harbinger for all the others to come. It brings us closer to the West.'

The latter, it has to be said, has been a major but not insurmountable problem for the company. Solutions were sought to shape up the Tajik workforce. Installing a doctor on site was one way to ensure that an "epidemic" of athletes foot did not bring production to a halt. Image passes have also been introduced to eradicate "dual personalities" – some workers were signing on for multiple salaries.

With the 1,110 Tajik staff paid an average of $45 a month (total package including assistance costs $85, which far exceeds the typical Tajik wage of $5), local pay is not a major issue. Improving labour efficiency with the aid of an experienced expatriate workforce has pushed costs somewhat higher, however.

Understandably, the balance of expatriates to Tajik staff is one thing president and chief executive officer Glenn Laing wishes to redress. Other investor concerns voiced included the cost and transport of spare parts and tha actual quality and quantity of reserves.

Mr Laing believes freight has been a major factor in cost over-runs in the CIS. "I think we've got the job of procurement down to a fine art," he said. "Our philosopby is to source out of Europe and the UK and truck it in and we are getting it back in spades. The real problem was with air freight, which is very much the last resort.

One potential investor was unwilling to commit himself until be was convinced about reserve levels, reported at 6.66m ounces at Jilan and Taror in March.

Nelson Gold has come some way, however, since its founder, the entrepreneur Cameron Glover stumbled across $500m worth of infrastructure in the Zeravshan Valley. The Soviets downed tools and walked away when their empire collapsed fearing political repercussions. Raising $11m towards an initial $25m funding, Nelson Gold, then British and Commonwealth Minerals, staked its claim in 1994 and, to its credit, has started to produce gold.

It now has to raise a further $70m to start-up its second stage heap leach project adjacent to the Jilau open pit and a further $40m to develop the neighbouring Taror deposit, which could raise production to 300,000 ounces a year in 1999. Mr Laing expects further exploration and development in the company's "backyard" to bring cash costs down from the current $235 ounces to $180-200 an ounce and could see output at 400,000-500,000 ounces by the 2002.

The European Bank for Reconstruction and Development is waiting in the wings, pending the feasibility study of Phase 2. Having had its fingers burnt at Newmont's Zaravshan Gold project in Uzbekistan and running short of cash because of a plethora of other projects, it is particularly wary of cost over-runs and who will pick up the tab.

But a shaft of light through the dense clouds that cluster over the Zeravshan valley was a declaration of intent by the International Finance Corporation: "in performing our advisory work, we have been extremely encouraged by the positive and open approach of the government of Tajikistan. . , Significant progress has been made on vital subjects such as export of gold, maintenance of offshore accounts, and security for loans.

"We are confident that the detailed arrangements will be finalised soon enabling the IFC to become an equity investor in the near future". The IFC went on to say that it expected to "work closely with ZGC towards concluding the financing arrangements for the heap leacb project".

Mr Laing hopes that this will be financed 50 per cent by the IFC and the EBRD and 50 per cent by commercial banks. But will the latter have the stomach for a project that still has a high risk factor?

T. Hoare & Co. emerging markets analyst Matt Sutcliffe considers it a risk worth taking: "Once the elections are over in Russia in June people are going to realise that communism isn't going to re-establish control and that resource ventures in the CIS are incredibly cheap. There is going to be an emerging markets boom in the area and a re-rating [of stocks] upwards"

Mr Sutcliffe's counterpart at MC Securities, Raj Kobli was also optimistic: "Nelsoo Gold is a junior company whicb has been in tbe former Soviet Union for three to four years. It's in production now. It has raised $60m entirely through the equity market. What other junior company has done that [in the Former Soviet Union]? On that basis alone, as well as on the technical merits of the project and the increasing confidence surrounding it, this company deserves to do well".

Although the EBRD's Bert van der Toorn refused to be drawn on his bank's intentions, a casual remark at the "New Year" street party may give reason for optimism. As be settled back to watch the dancing children and prepared to tuck into the spread of food prepared by the villagers be observed: "You bave to take a risk sometimes".

MARKET REPORT

LME base metals claw back some of their early losses

Base metals prices clawed back some late ground during after hours "kerb" trading on the London Metal Exchange yesterday, largely because of covering rallies in copper and aluminum.

Short-term trends suggested, however, that further rallies might be difficult to stage, particularly for **ALUMINIUM** which hit a 2¼-month low of $1,588 in the three months delivery position, and for **NICKEL**, traders said.

"Aluminium looks like a metal in trouble," said one. "It is a reasonable close but we are still calling for a move to test $1,550/1,555."

The skids were under aluminium from the outset after news of another LME stocks rise, with stop-loss selling orders under the $1,600 level eventually driving the market to its lows by midsession.

Bargain-hunting buying and local covering in fairly active trading initiated a turnround during the afternoon.

Compiled from Reuters

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+8,150	to 786,225
Aluminium alloy	+920	to 81,720
Copper	-3,775	to 301,325
Lead	+700	to 90,350
Nickel	-216	to 33,636
Zinc	+200	to 624,875
Tin	-70	to 9,015

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

Precious Metals continued

GRAINS AND OIL SEEDS

SOFTS

MEAT AND LIVESTOCK

ENERGY

PRECIOUS METALS

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

FUTURES DATA
All futures data supplied by CMS.

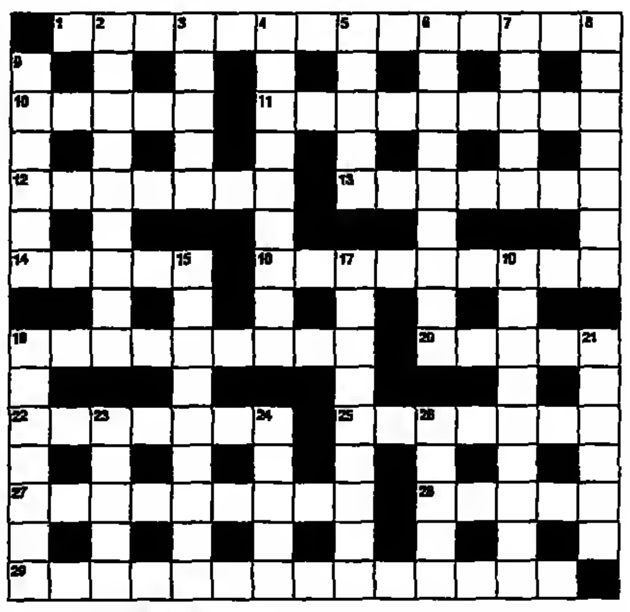
VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

JOTTER PAD

CROSSWORD

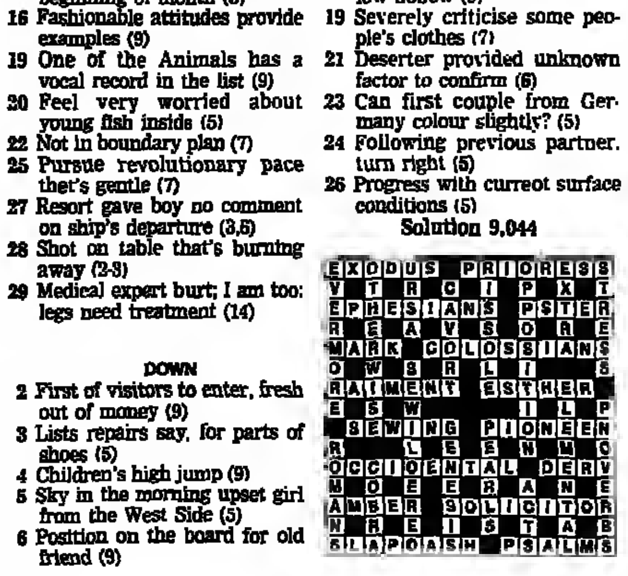
No.9,045 Set by HIGHLANDER



ACROSS
1 Embassy's rather expensive fee (4,10)
10 Holds edges of the dispatch (5)
11 It warns of burning wood and a realm destroyed (4,5)
12 Ineffectual one gets as much as possible from work (7)
13 Mature without being everlasting (7)
14 Cook Sunday meal before beginning of month (5)
16 Fashionable attitudes provide examples (9)
19 One of the Animals has a vocal record in the list (9)
20 Feel very worried about young fish inside (5)
22 Not in boundary plan (7)
25 Pursue revolutionary pace that's gentle (7)
27 Resort gave boy no comment on ship's departure (3,6)
28 Shot on table that's burning away (3-3)
29 Medical expert hurt; I am too: legs need treatment (14)

DOWN
2 First of visitors to enter, fresh out of money (9)
3 Lists repairs say, for parts of shoes (5)
4 Children's high jump (9)
5 Sky in the morning upset girl from the West Side (5)
6 Position on the board for old friend (9)
7 Annoyed Blackbeard? Off with his head! (5)
8 Seems in order to change agent of retribution (7)
9 Phoney American detective like Sam Spade (6)
15 Having many appearances on criminal record, almost mull it over (9)
17 Plant amphetamines carefully (9)
18 Speleologist has sense to follow burrow (9)
19 Severely criticise some people's clothes (7)
21 Deserter provided unknown factor to confirm (6)
23 Can first couple from Germany colour slightly? (5)
24 Following previous partner, turn right (5)
26 Progress with current surface conditions (5)

Solution 9,044



INTERNATIONAL CAPITAL MARKETS

Irish gilts show strongest performance

By Samer Iskandar in London and Lisa Bransten in New York

International bonds traded quietly yesterday, as market participants awaited important events: a gilt auction announcement in the UK, tomorrow's fortnightly meeting of the Bundesbank's council and elections in Italy next weekend. But most markets managed to achieve gains in very thin trading.

■ UK gilts traded up but finished off their highs. Liffe's June long gilt future settled at 105 29/32, up 13/32, after reaching a six-week high of 106¼.

The Bank of England announced the details of its April 24 gilt auction. The decision to tap the 7¼ per cent gilt due 2006 had been anticipated by traders. The amount to be issued, £3bn, did not affect the market despite being at the high end of the range of expectations.

According to Mr Andrew Roberts, a bond analyst at UBS Limited, demand should be relatively strong. "The 10-year maturity looks cheap at a yield of only 21 basis points under 20-year gilts. It also offers good value relative to German bunds, at a spread of 175 basis points."

■ Irish bonds, which have been performing well lately, showed the strongest performance among European markets. The five-year and 10-year benchmarks, both paying 8 per cent coupons and maturing in 2000 and 2006, ended up 0.85 and 0.80, respectively, at 104.15 and 101.50.

Both issues were tapped earlier this week for I£100m. The amounts, though modest, were oversubscribed, reflecting the fact that the Irish gilt market is "becoming more international and more liquid", said Mr Roberts.

The 10-year yield ended at 37 basis points under that of the 10-year UK gilt, a three-year low. Mr Roberts believes this spread could continue to widen, to as much as 50 basis points, thanks to increasing interest in Irish gilts by international investors.

Mr Daniel McLaughlin, chief economist at Riada Stockbrokers, is also bullish. He recommends taking advantage of the flatness of the yield curve, which makes the five-year spread over German bunds attractive at 140 basis points.

■ French bonds were also stronger. Matif's June notional future settled at 122.14, up 0.40 but in the cash market, the 10-year spread over bunds widened by 1 basis point to 15 points. The strong tightening of this spread since the beginning of the year has been largely due to domestic buying of OATs for tax reasons. But the "effects of these transfers are due to end", said Ms Marie Owens Thomsen, chief economist at Banque Internationale de Placement in Paris.

GOVERNMENT BONDS

A French bond trader said the OAT/bund spread was likely to remain between 10 and 15 basis points. "As soon as it tightens to single digits, the big players start to sell [OATs]", he said.

■ German bunds ended higher after a weak start. Liffe's June bund future settled at 96.65, up 0.41. In after hours trading, it held above 96.50, an important technical support level according to traders. Although a rate cut is still likely, most traders do not expect the Bundesbank to act this week.

Ms Owens Thomsen at BIP believes a monetary easing tomorrow might even be perceived as irresponsible by market participants and trigger doubts over the stability of the D-Mark, one of the few events that could allow French OATs to further outperform bunds.

■ US Treasury prices were modestly lower in early trading despite signs that economic activity is far from robust.

Near midday, the benchmark 30-year Treasury was ⅛ lower at 89 23/32 to yield 6.788 per cent, while at the short end of the maturity spectrum, the two-year note showed a fall of 1/32 to 100⅜, yielding 5.919 per cent. The June Treasury bond future was down ¼ at 110⅛.

Economists generally viewed March industrial production data as indicating only sluggish economic growth, even accounting for the downward pull exerted on the figures by the General Motors strike.

Industrial production fell 0.5 per cent in March, led by a 9.9 per cent drop in car and truck production. Excluding figures on motor vehicle production, manufacturing output was 0.2 per cent stronger last month.

Mr Ed Yardini and Ms Debbie Johnson of Deutsche Morgan Grenfell in New York said that "excluding the effects of the strike, industrial activity still remains lackluster".

The only other piece of economic data released yesterday also pointed to slower growth than the past two employment figures have suggested. The Mitsubishi/Schroder Wertheim index of chain store sales fell 2.3 per cent last week.

Also weighing on the markets yesterday was a drop in the value of the dollar against the yen and the D-Mark. In early trading the US currency was changing hands at Y108.25 and DM1.5110, compared with Y108.60 and DM1.5125 late on Monday.

Further retail-targeted short-term dollar deals

By Conner Middelmann

The eurobond market saw more short-dated, retail-targeted dollar deals following three such transactions on Monday. Despite the flurry of issuance, however, dealers said the paper was seeing smooth placement, thanks in part to high redemptions of dollar securities in coming weeks.

"The US dollar is still appreciating, which is making reinvestment in dollars almost irresistible," said a dealer.

Nearly $10bn of eurobonds are set to mature in May, and "considering all the recent deals have been quite small, they should get absorbed quite easily", he said.

Moreover, after coupons on short-dated dollar paper fell as low as 5 per cent in the first quarter, "investors are keen to lock in coupons above 6 per cent" following the recent pick-up in yields, another syndicate official said.

However, unlike Monday's issues, which all achieved 6.25 per cent coupons on three-year maturities, yesterday's deals offered 6.125 per cent coupons and maturities of 3½ years.

"The longer maturity enabled us to offer a better coupon and spread than we would have been able to do in three years," said an official at Deutsche Morgan Grenfell, which led a $200m issue due November 1999 for Deutsche Bank Finance. The bonds were priced to yield 10 basis points over Treasuries at the re-offer price.

INTERNATIONAL BONDS

Almost at the same time, Bank Austria launched $200m of bonds due December 1999 paying 7 basis points over Treasuries. Since both issuers are rated triple-A, the latter deal was rather more tightly priced. However, Bank Austria is a very infrequent borrower in the dollar market, where it only has one other deal outstanding, lead manager Merrill Lynch noted.

Two floating-rate note issues also surfaced yesterday, both led by Chemical Investment Bank: $150m of five-year bonds for Banque Française du Commerce Extérieur and $150m of 10-year notes with a seven-year call option for Unibank, which was jointly led by PaineWebber.

Meanwhile, Deutsche Bank Finance joined the recent flurry of Czech koruna borrowers with a Kc1bn offering of 10 per cent two-year bonds via Deutsche Morgan Grenfell.

The deal follows Monday's Kc2bn issue of two-year bonds for the International Finance Corporation and last week's Kc1bn offering for Bayerische Vereinsbank.

While most recent Czech koruna transactions have been swapped, Deutsche's issue was thought to have been left in the Czech currency, to be used for its banking activities in the Czech Republic.

Elsewhere, the Republic of Brazil launched its first bond denominated in Portuguese escudos · Esc12bn of three-year floating-rate notes · and announced its planned debut in the sterling market, with a £100m three-year offering. Brazil has appointed HSBC Markets as lead manager of the forthcoming issue, which is set to follow a European roadshow in early May.

Railtrack mandate puts BZW top of league table

By Antonia Sharpe

The £2.35bn credit facility for Railtrack, the British rail network which is about to be privatised, has propelled BZW to the top of Euromoney's widely-watched league table of euromarket loan arrangers for the first time in three years.

BZW, the investment banking arm of Barclays Bank, is the sole arranger of the 5½-year facility, which was signed on April 9 by eight underwriters – Barclays, Credit Suisse, Deutsche, Fuji, Kredietbank, Midland, Royal Bank of Scotland and WestLB.

The facility, divided into two tranches, went into general syndication yesterday. Tranche A, amounting to £1.65bn, will be used for general working capital purposes while tranche B, of £700m, will be used to finance the Thameslink 2000 project.

Tranche A will carry a margin of 20 basis points over London interbank offered rate with a utilisation fee ranging from

SYNDICATED LOANS

2½ to 7½ basis points and a commitment fee ranging from 8½ and 12½ basis points.

The margin on tranche B is 20 basis points for the first two years and 32½ basis points thereafter, with a commitment fee of 8½ basis points, rising to 15 basis points. The pricing on tranche B reflects the likelihood that it will be refinanced in the capital markets at a later stage.

The loan is likely to be syndicated to about 30 banks, in addition to the eight underwriters – which are expected to retain a minimum of £100m each. The participation fees on the loan are: 10 basis points for £100m, 8 basis points for £75m, 6½ basis points for £50m and 5 basis points for the minimum amount of £25m.

Other loans which are about to be launched to a wider group of banks include the £800m seven-year facility for National Grid, the $2bn "bridge" acquisition financing for Ahold, and the £1.2bn 9½-year facility for TeleWest Communications, the UK TV cable company.

The £450m two-year acquisition financing for Kvaerner, the Norwegian engineering and shipping group, is expected to be launched into general syndication tomorrow, provided the European Union approves its takeover of Trafalgar House, the UK construction and shipping group, today.

Scandinavian names are continuing to come to the market to bring pricing on their loans into line with current levels. Volvo, the Swedish motor vehicle company, is seeking to refinance a $1.1bn seven-year loan taken out in December 1994. The pricing on the new facility, arranged by Enskilda and Handelsbanken, ranges from 17½ to 22½ basis points, with a utilisation fee of 5 basis points.

A $500m seven-year facility for Nokia, the Finnish telecoms group, should also be coming to market soon. The facility, arranged by NatWest, UBS, Merita and Société Générale, has a margin of 17½ basis points over Libor.

Bankers view the $250m seven-year facility for the City of Stockholm as the real test of the market's appetite for Scandinavian names, in view of the fine margin of 10 basis points for the first five years, rising to 12½ basis points for the final two years. German banks, for which the loan will be zero-weighted, are expected to be strong supporters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
[illegible]	250	3.125	100.00	May 2000	2.25	-	Daiwa Europe
Bank Austria	200	6.125	99.76R	Dec 1999	0.1875R	+7(5¾%-99)	Merrill Lynch/Nikko Europe
Deutsche Bank Finance(a)	200	6.125	99.672R	Nov 1999	0.1875R	+10(5¾%-99)	Deutsche Morgan Grenfell
Unibank‡	150	(b)	99.72R	May 2006	0.50R		Chemical/PaineWebber Intl
BFCE‡	150	(c)	99.868R	May 2001	0.175R		Chemical Investment Bank
D-MARKS							
Helaba Intl Finance(d)	500	5.75	100.55R	Nov 2001	0.275R	+10(6¼%-01)	Morgan Stanley/Paribas
SWISS FRANCS							
GECC+	125	3.50	102.25	May 2000	1.375	-	Banque Paribas (Suisse)
DePfa Bank(e,s)	100	3.50	102.70	Dec 1999	1.75	-	Credit Suisse
Daito Kogyo+	65	4.00	100.40	Apr 2001	1.50	-	Sakura Bank (Schweiz)
FRENCH FRANCS							
Ford Credit Europe	1.5bn	6.25	99.523R	May 2002	0.35R	+39§	Banque Nationale de Paris
ESCUDOS							
Republic of Brazil‡	12bn	(f)	99.90R	May 1999	0.6CR	-	Banco CISF/Banco Finantia
SWEDISH KRONOR							
KfW International Finance	500	7.50	101.09	May 2000	1.625	-	ABN Amro Hoare Govett

Final terms, non-callable unless stated. Yld spread (over govt bond) at launch supplied by lead manager. +Unlisted. ♦With equity wts. ‡Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Fixing: 22/4/96. b) Callable from May03 at par. b1) 3-mth Libor +45bp to May03 and +195bp thereafter. c) 3-mth Libor +10bp. d) Fungible with DM1bn. Plus 158 days accrued. e) Fungible with SFr100m. Plus 30 days accrued. f) 6-mth Libor +240bp. § Over interpolated yield. ‖ Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	106.4440	+0.070	9.01	9.01	8.52
Austria		8.125	02/06	97.4500	+0.250	6.48	6.52	6.47
Belgium		7.000	05/06	102.1200	+0.190	6.70	6.77	6.75
Canada *		8.750	12/05	107.0900	+1.040	7.69	7.76	7.44
Denmark		8.000	03/06	104.3000	+0.520	7.37	7.51	7.46
France	BTAN	5.750	03/01	100.0000	-	5.74	5.79	5.54
	OAT	7.250	04/06	105.0200	+0.310	6.55	6.59	6.56
Germany Bund		6.000	02/06	97.0900	+0.410	6.40	6.45	6.30
Ireland		8.000	08/06	101.4500	+0.850	7.78	7.97	7.78
Italy		9.500	02/06	96.0600	+0.170	10.14†	10.32	10.28
Japan	No 129	6.400	03/00	116.0280	-0.120	1.98	1.98	1.81
	No 182	3.000	09/05	97.9160	-0.420	3.29	3.23	3.18
Netherlands		6.000	01/06	97.4200	+0.440	6.36	6.44	6.30
Portugal		11.875	02/05	116.0000	+0.100	9.15	9.31	9.64
Spain		10.150	01/06	105.2300	+0.480	9.28	9.49	9.96
Sweden		6.000	02/05	85.5000	-	8.39	8.54	9.00
UK Gilts		8.000	12/00	102-08	+6/32	7.41	7.51	7.05
		7.500	12/06	96-05	+11/32	8.04	8.12	7.82
		9.000	10/08	106-21	+12/32	8.14	8.21	7.96
US Treasury *		5.625	02/06	93-25	+3/32	6.48	6.58	6.04
		6.000	02/26	89-23	+2/32	6.81	6.85	6.43
ECU (French Govt)		7.500	04/05	103.4100	+0.230	6.88	7.09	6.98

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
		One month	5.03	Two year	5.93
Prime rate	8¼	Two month	5.01	Three year	6.08
Broker loan rate	7	Three month	4.99	Five year	6.29
Fed funds	5 5/16	Six month	5.22	10-year	6.48
Fed funds at intervention	.	One year	5.45	30-year	6.79

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	121.76	122.14	+0.40	122.16	121.72	131,034	154,781
Sep	120.42	120.82	+0.40	120.82	120.42	491	5,380
Dec	119.12	119.52	+0.40	119.42	119.12	157	664

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
119	-	-	-	-	0.17	-
120	-	2.39	-	0.03	0.29	-
121	-	-	1.51	0.10	0.53	1.65
122	0.43	0.95	1.02	0.32	0.86	2.25
123	0.08	0.47	-	-	1.40	-

Est. vol. total, Calls 25,064 Puts 15,038. Previous day's open int., Calls 152,526 Puts 175,354.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.31	96.65	+0.42	96.99	96.22	157622	196215
Sep	95.50	95.75	+0.42	95.75	95.50	1025	5804

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9650	0.38	0.78	0.56	0.91	0.23	0.63	1.31	1.66
9700	0.15	0.52	0.39	0.72	0.50	0.87	1.64	1.97
9750	0.04	0.32	0.25	0.55	0.89	1.17	2.00	2.30

Est. vol. total, Calls 21783 Puts 9531. Previous day's open int., Calls 247352 Puts 206986

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	110.78	110.96	+0.01	111.27	110.65	45216	50226
Sep		110.38	+0.01			0	268

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11050	1.68	2.39	1.22	2.51
11100	1.40	2.16	1.44	2.78
11150	1.15	1.94	1.69	3.06

Est. vol. total, Calls 4598 Puts 10716. Previous day's open int., Calls 62425 Puts 77608

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	97.45	97.98	+0.47	98.17	97.33	72,408	45,475

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-17	105-29	+0-13	106-04	105-13	56991	123999
Sep		104-29	+0-15			0	165

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
105	1-03	1-35	1-19	1-54	0-09	0-41	1-25	1-60
106	0-27	0-62	0-56	1-26	0-33	1-04	1-62	2-32
107	0-08	0-35	0-38	1-03	1-14	1-41	2-42	3-09

Est. vol. total, Calls 3169 Puts 4020. Previous day's open int., Calls 42271 Puts 40751

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	90.20	90.50	+0.22	90.50	90.20	2,050	7,530
Sep	-	89.98	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	110-03	109-31	-0-10	110-11	109-25	167,277	398,593
Sep	109-23	109-14	-0-10	109-20	109-09	2,304	28,499
Dec	109-05	108-30	-0-10	109-05	108-28	97	5,254

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Jun	118.30			118.37	118.28	2433	0
Sep	117.24			117.24		16	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Apr 16	Day's change %	Mon Apr 15	Accrued interest	xd adj. ytd		Low coupon yield Apr 16	Low Apr 15	Low Yr. ago	Medium coupon yield Apr 16	Medium Apr 15	Medium Yr ago	High coupon yield Apr 16	High Apr 15	High Yr. ago
1 Up to 5 years (24)	121.82	+0.12	121.67	2.53	2.43	5 yrs	7.51	7.58	8.19	7.54	7.58	8.27	7.64	7.68	8.41
2 5-15 years (19)	145.82	+0.30	145.63	2.79	2.78	15 yrs	8.19	8.23	8.27	8.20	8.25	8.33	8.29	8.32	8.54
3 Over 15 years (9)	160.19	+0.41	159.54	2.77	3.48	20 yrs	8.26	8.29	8.26	8.26	8.30	8.33	8.33	8.36	8.50
4 Irredeemables (6)	184.34	+0.32	183.75	4.07	1.47	Irred.†	8.30	8.32	8.33						
5 All stocks (58)	141.37	+0.25	141.11	2.74	2.78										

Index-linked	Tue Apr 16	Day's change %	Mon Apr 15	Accrued interest	xd adj. ytd		Inflation 5% Apr 16	Inflation 5% Apr 15	Inflation 5% Yr. ago	Inflation 10% Apr 16	Inflation 10% Apr 15	Inflation 10% Yr. ago
6 Up to 5 years (1)	188.07	+0.07	187.94	4.20	0.00	Up to 5 yrs	2.98	3.00	3.33	1.71	1.73	1.79
7 Over 5 years (11)	186.42	+0.33	185.81	1.08	1.33	Over 5 yrs	3.72	3.74	3.82	3.53	3.55	3.81
8 All stocks (12)	186.55	+0.32	185.96	1.15	1.30							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date

FT FIXED INTEREST INDICES

	Apr 16	Apr 15	Apr 12	Apr 11	Apr 10	Yr ago	High*	Low*
Govt. Secs. (UK)	92.42	92.36	92.29	92.04	92.48	92.33	96.34	91.97
Fixed Interest	111.96	111.90	111.78	111.71	111.87	111.33	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 15	Apr 12	Apr 11	Apr 10	Apr 9
Gilt Edged bargains	74.7	79.7	84.5	84.2	78.9
5-day average	82.0	84.9	87.8	89.1	88.5

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated.

مكتبة من الاهل

CURRENCIES AND MONEY

MARKETS REPORT

Markets wait on Bundesbank council meeting

By Philip Gawith

Foreign exchange markets had a fairly quiet day yesterday with the dollar failing to make any fresh headway and the D-Mark stable against most currencies.

Any sharp moves are now likely to be postponed until after the Bundesbank council meeting tomorrow. There is some expectation that a further cut in interest rate might be announced.

The dollar closed in London at DM1.5096, from DM1.5104. Against the yen it closed at Y108.155, from Y108.375.

In Europe the lira encountered the first signs of political nerves ahead of the weekend elections. It finished at L1,043 against the D-Mark, from L1,041. Earlier it had slipped to an intra-day low of L1,046.

The Swedish krona, another "high-yielding" currency, also had an erratic day, finishing at SKr4.471, from SKr4.466. Earlier it touched an intra-day low of SKr4.4910. Analysts said the travails of these two currencies illustrated their vulnerability to bond market setbacks.

Sterling had a very uneventful day, closing little changed against the D-Mark at DM2.2767, from DM2.2773. Against the dollar it finished at $1.5082, from $1.5078.

The South African rand continued to slip lower, finishing at R4.225, from R4.215, after reaching an intra-day low of R4.25 against the dollar.

■ It was a day of mild disappointment for dollar bulls, with the US currency failing to make much progress. Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the upside for the dollar appeared to be capped by static dollar/yen rate.

The combination of disappointing talks about opening insurance markets over the weekend, and President Clinton's visit to Japan, has reawakened concern that politics may again be about to raise its head in relation to the dollar-yen rate. If so, markets would be reluctant to push the dollar much higher.

Mr Tony Norfield, UK treasury economist at ABN AMRO in London, said a tension had emerged in the US between the needs of the real economy, and the perception of markets. While markets are pessimistic about the outlook for inflation and expect higher interest rates, Mr Norfield said the Fed "was under no pressure to tighten US interest rates."

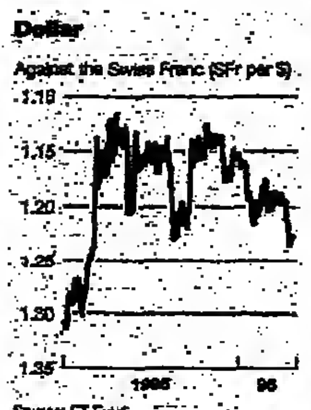
Following the fall in US industrial production reported, the capacity utilisation rate of the US economy has returned to the level it was at when the Fed started to tighten interest rates in 1994.

■ Pound in New York

Apr 16	Latest	Prev. close
£ spot	1.5075	1.5078
1 mth	1.5068	1.5066
3 mth	1.5058	1.5056
1 yr	1.5002	1.5001

Dollar

Against the Swiss Franc (SFr per $)



Source: FT Extel

Mr Hawkins said the dollar remained the main talking point on the markets, with the background very positive. This takes the form of the expectation that US interest rates will rise, German rates fall, the Bank of Japan downplaying speculation about higher interest rates, and a G-7 meeting which is expected to send out the seal of approval for a stronger dollar.

■ The Swiss franc has been the focus of a fair amount of attention recently, slipping lower against both the dollar and the D-Mark. It has been common cause for some while that the Swiss franc is overvalued, and that this is causing damage to the Swiss economy. At least some of this strength has been attributable to German investors buying Swiss francs to guard against the risk of monetary union proceeding, with D-Marks being replaced by the weaker Euro.

Although there is much EMU optimism about at present, it is possible to interpret the strength of the D-Mark against the franc as a sign that investors are *not* confident EMU will proceed. Mr Hawkins says: "Lurking in the inner core of this market is this scepticism that it is not going to happen."

Mr Avinash Persaud, currency strategist at JP Morgan in London, puts a different gloss on the European story. He says: "Talk of postponement and delay to EMU appears to have been replaced by an emerging consensus around a small EMU starting in 1999 and growing large by 2002. That more realistic scenario reduces the threat of the entire EMU project unravelling, triggering an almighty flight of capital back into the D-Mark."

It may be that this greater EMU realism will provide the necessary trigger for a weakening of the franc, if it makes investors less inclined to abandon the D-Mark. Historically, the prospect of EMU has not always caused the franc to rise; the opposite was true in the early 1990s.

■ OTHER CURRENCIES

Apr 16	£	$
Czech Kr	41.5987 - 41.6358	27.5860 - 27.5880
Hungary	219.732 - 219.924	145.730 - 145.780
Iran	4525.80 - 4523.48	3000.00 - 3000.00
Kuwait	0.4523 - 0.4529	0.3000 - 0.3002
Poland	3.9535 - 3.9588	2.6220 - 2.6240
Russia	7424.41 - 7432.87	4924.09 - 4927.00
U.A.E.	5.5377 - 5.5412	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.0096	-0.004	021 - 171	16.0345	16.0014	15.9796	2.2	15.8971	2.8	-	-	105.6
Belgium	(BFr)	46.7893	-0.0049	267 - 119	46.8610	46.7250	46.6643	2.7	46.4543	2.7	45.5343	2.6	107.6
Denmark	(DKr)	8.7875	-0.0034	837 - 912	8.7993	8.7784	8.7759	1.6	8.7511	1.7	8.6445	1.6	108.3
Finland	(FM)	7.1622	+0.0237	550 - 693	7.1695	7.1300	7.1578	0.7	7.1499	0.7	-	-	82.1
France	(FFr)	7.7298	+0.0015	280 - 319	7.7451	7.7260	7.7169	2.0	7.6982	1.6	7.5931	1.6	108.7
Germany	(DM)	2.2767	-0.0006	757 - 777	2.2811	2.2726	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.6151	-0.0057	129 - 172	10.6210	10.5820	10.5978	2.0	10.5616	2.0	10.4001	2.0	105.4
Belgium	(BFr)	31.0100	-0.0125	900 - 300	31.0400	30.9400	30.957	2.1	30.8506	2.1	30.37	2.1	107.2
Denmark	(DKr)	5.8265	-0.004	255 - 274	5.8342	5.8143	5.8216	1.0	5.8115	1.0	5.894	-0.1	107.5
Finland	(FM)	4.7488	+0.0142	453 - 523	4.7525	4.7223	4.7423	1.6	4.7303	1.6	4.6848	1.3	81.9
France	(FFr)	5.1245	-0.0005	240 - 250	5.1302	5.1172	5.1186	1.4	5.1086	1.2	5.0685	1.1	106.1

† Forwards in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 15: Base average 1990=100. Rates are available on Cityline 0891 437001

CROSS RATES AND DERIVATIVES

UK INTEREST RATES

BASE LENDING RATES

WORLD INTEREST RATES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	500	+6	[illegible]	476½	5,180	4.6	16.1
Bulmer (HP)	[illegible]	622	—	625	407	[illegible]	2.5	19.5
Burn St Dist	[illegible]	120	+1	146	101	21.2	5.3	25.5
Grand Met	[illegible]	444	-2	457	274	[illegible]	4.2	19.1
Guinness	[illegible]	479½xd	+6½	[illegible]	435	[illegible]	4.0	16.0
Highland	[illegible]	394	—	405	315	[illegible]	2.8	16.9
Kirin Y	[illegible]	[illegible]	[illegible]	835½	[illegible]	[illegible]	0.7	32.1
Macallan-Glen	[illegible]	170xd	-1	217	150	[illegible]	1.1	34.9
Macdonald Martin A	[illegible]	[illegible]	—	[illegible]	800	[illegible]	2.2	17.8
Matthew Clark	[illegible]	[illegible]	—	[illegible]	579	672.0	3.6	–
Merrydown	[illegible]	103	—	140	68	21.2	2.4	–
Seagram $		[illegible]	[illegible]	[illegible]	£16½	5,657	1.4	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		[illegible]	—	[illegible]	[illegible]	8.21	19.8	–
Cater Allen	[illegible]	[illegible]	—	[illegible]	424	144.7	8.4	7.3
Close Bros	[illegible]	[illegible]	+1	[illegible]	[illegible]	444.6	3.1	16.1
Gerrard & Nat	[illegible]	[illegible]	—	472	[illegible]	[illegible]	7.8	13.0
Hambros	[illegible]	[illegible]	+6	[illegible]	180	[illegible]	3.8	–
7¼pc Cv Pf		112	+2	112	94½	144.3	6.4	–
King & Shaxson	[illegible]	135	—	[illegible]	[illegible]	40.9	7.3	12.6
Leopold J	[illegible]	[illegible]	—	[illegible]	353	[illegible]	5.2	15.5
Rea Brothers	[illegible]	[illegible]	—	57	44	[illegible]	2.8	27.5
Schroders	[illegible]	[illegible]	+8	[illegible]	1050	[illegible]	1.6	17.2
N/V	[illegible]	[illegible]	+6	[illegible]	[illegible]	[illegible]	2.0	13.9
Singer & Fried	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

صكتامن الاحل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

TEXTILES & APPAREL

AMERICANS

RETAILERS, GENERAL

CANADIANS

PHARMACEUTICALS

TOBACCO

TRANSPORT

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¼	----	£34½	£29¼	1,987	2.9	Φ
Barlow	‡	£7⅞	+¼	£10⅛	£5⅞	1,332	1.7	Φ
Energy Africa		158½	----	174	152½	142.7	-	-
Gold Flds Prop R		145½	-12	178	135	14.8	6.5	10.3
NK Props		80	----	96	80	3.22	12.5	-
SASOL	♥	854	+12	854	475	3,829	1.9	-
SA Brews		£28½	+¼	£28½	£16½	8,801	1.5	30.3
Standard Bank	□	£27½	----	£32½	£20½	3,334	1.5	21.7
Tiger Oats		810	+20	1270	850	1,388	1.9	Φ
Tongaat-Hulett	†	929	----	1247	685	879.4	1.8	19.9

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

OIL, EXPLORATION & PRODUCTION

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

PROPERTY

WATER

SUPPORT SERVICES

AIM

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges of par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress.
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
p Assumed dividend yield after rights issue.
r Assumed dividend yield after scrip issue.
u Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v P/e ratios are calculated under new ACT guidelines.
2 Dividend yield includes a special payment.
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1995
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1995-96.
9 Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at www.FT.com.

FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

LGT Asset Management Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Daiwa Europe Fund Mgrs Ireland Ltd - Contd.

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

Mercury Fund Managers Intl Ltd

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

INVESCO International Limited - Contd.

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Fidelity Funds (a)

[illegible]

S-E-Banken Luxembourg SA - Contd.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie powers through 3,800 to hit new peak

By Steve Thompson, UK Stock Market Editor

The prospect of a fresh wave of takeover moves, more positive news on the domestic economy, a new inflow of overseas money, and another powerful performance by Wall Street, saw UK equities surge to new all-time highs yesterday.

There was also talk that Goldman Sachs, the US investment bank, was still carrying out an exceptionally large bny programme. The programme is thought to have been running for at least two days.

The FT-SE 100 index, which has been struggling for some time to get through its previous record high, sailed comfortably through the 3,800 level to settle 34.8 up at a new peak of 3,825.3. Over the past three trading sessions the Footsie has risen 81.1, or just over 2 per cent.

Second liners were even more in demand, with the FT-SE Mid 250 racing np 41.8 to a peak 4,458.5, its fourth successive record. The FT-SE-Actuaries All-Share index hit a record 1,903.18, up 17.87.

Much of yesterday's takeovar speculation was focused on the utilities areas of the market, especially on National Power, whose shares rocketed during the afternoon. National Power shares were bid up aggressively after the market closed, with senior marketmakers noting that "the people that bought BET before the Rentokil bid were buying National Power".

"The way the shares moved yesterday and jndging by the weight of business in the traded options, I wouldn't back against a bid being launched," said the head of marketmaking at one UK broker.

Earlier in the session the bid spotlight was squarely on the water sector, where talk of an imminent bid for South West Water was rife.

Most dealers expected London's upsurge to continue in the short term, especially if bid expectations are fulfilled.

Strategists were impressed with London's performance. Mr Richard Jeffrey, group economist at Charterhouse Tilney, said be expected the Footsie to reach 4,000 this quarter. But he cautioned that political constraints will affect the market during the second half.

Mr Ian Harnett at SGST Securities remained positive of UK stocks and pointed to London's substantial underperformance against other European markets since the start of the year. He expects the market to be driven by at least £20bn worth of bids in the UK this year, against last year's £32bn.

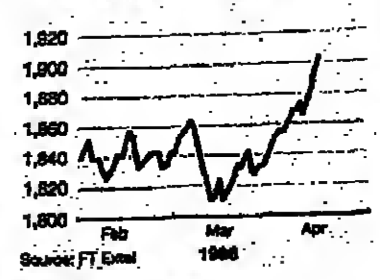
The market was in top gear from the outset of trading, responding initially to the 60-point overnight gain in the Dow Jones Industrial Average and to bullish UK economic news. The Royal Institute of Chartered Surveyors reported a big increase in activity in the UK housing market.

There was exceptionally heavy activity in the Footsie future and index and stock options. Turnover in the options market swelled to more than 86,000 contracts, with calls outpacing puts by two-to-one.

Adding to the market's optimistic mood was talk of a German interest rate cut.

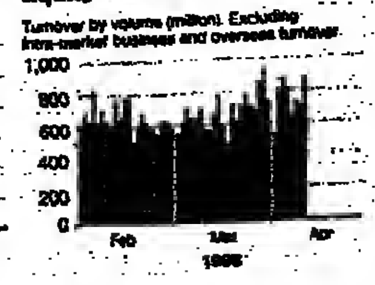
Turnover at 6pm came out at 869.7m shares, with non-Footsie stocks accounting for 60 per cent of the total. Customer business on Monday was worth £1.66bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3825.3	+34.8
FT-SE Mid 250	4458.5	+41.8
FT-SE-A 350	1925.7	+17.7
FT-SE-A All-Share	1903.18	+17.87
FT-SE-A All-Share yield	3.70	3.73

FT Ordinary index	2845.3	+21.2
FT-SE-A Non Fins p/e	17.54	17.40
FT-SE 100 Fut Jun	3856.00	+38.00
10 yr Gilt yield	8.04	8.09
Long gilt/equity yld ratio:	2.25	2.24

Best performing sectors

1	Tobacco	+2.6
2	Property	+2.5
3	Retailers: General	+1.9
4	Leisure & Hotels	+1.8
5	Electricity	+1.8

Worst performing sectors

1	Textiles & Apparel	-0.1
2	Retailers: Food	-0.1
3	Household Goods	0.0
4	Health Care	+0.1
5	Other Financial	+0.2

Mega bid surge at NatPower

Prospects of a mega bid within the utilities sectors were sparked by comments from Southern, of the US.

Initially, the comments made by Mr Bill Dahlberg, the chairman, on UK television were taken as a sign that one water company would be approached.

But Southern insiders told analysts its water company interest was outside the UK and a more dramatic story soon developed.

Rumour spread through the market tbat the US group could use the cash raised by selling half its holding in the old South Western Electricity to go towards a big pusb for National Power.

This was compounded by speculation that Pacific Gas and Electric, which showed an interest in ManWeb last year, was poised to stump up around £8.4bn in a 735p a ahare offer for National Power today.

An offer of that size would be at a 40 per cent premium to National's capitalisation and dealers added that National would be a big fish to digest.

But, they pointed out, the shares normally move in tandem with PowerGen. Yesterday National Power jumped 31½ to 521½p and when the partly-paid shares and options were taken into account almost 20m shares or their equivalents changed hands. In contrast, PowerGen rose 12½ to 570p on volume of only 2.3m.

Disappointment that cash-rich Reuters Holdings did not announce a share buyback with its first-quarter figures prompted a brief sell off.

After the headline statement there was a flurry of selling which sent the shares down 15 at worst and led to a spell of backwardation, the technical situation wbere bid and offer prices are temporarily reversed.

However, with transaction incoma up more than 30 per cent, Reuters saying it boped to arrange some kind of shareholder return by the end of the year, and analysts forecasting a cash pile of £1bn-plus by then, the shares soon recovered. ABN Amro Hoare Govett was persistently buying stock at 740p a share and the stock closed only 2 off at 749p with turnover of 7.2m – at the top end of the daily average – ahead of group presentations to analysts in Geneva.

Disappointment about a change in dividend policy at food retailing group Tesco hit the company's stock as it reported full-year profits in line with market expectations. Sentiment was further damaged by speculation that it may be considering a bid in continental Europe.

One suggestion was that Tesco may be looking to make an acquisition in Spain or bid for French group Casino.

One disgruntled analyst said: "Those that have been buying this stock for income are going to be disappointed."

While brokers moved to upgrade profits expectations – the range for the current year is now between £720m and £750m – the shares remained under a cloud. They closed 3 lower at 287p on turnover of 17m.

The team at Kleinwort Benson downgraded its recommendation on tha stock to "sell", saying: "The company's expansionary programma and change in dividend policy is regressive given the industry's maturity."

Tha retail sector has gone "berserk", said one analyst, commenting on the market's response to the strong retail sales trends for March.

Among the best performers, Dixons rose 17 to 506p, Oasis Stores 14 to 349p, Body Shop 6 to 155p and Storehouse 5 to 352p.

GUS, the fashion retailer, jumped 23 to 742p and Next rose 20 to 578p, both on relatively low volumes of trading. Analysts said that in both cases the "feel-good factor" was inflated by speculation that there was a "very real chance" of some sort of a merger between the two companies.

Boosey & Hawkes, the North London musical instrument maker, forged ahead 43 to end at 698p on the back of good financial results.

Brewers and pub retailers generally were firm. The sentiment, said analysts, was that increased consumer spending would trickle down into the pub trade. Bass was up 7 to 771p, Greenalls 7 to 598p, Scottish & Newcastle 9 to 675p and Whitbread 8 to 724p.

In the spirits sector, Guinness rose 6½ to 470½p and Allied Domecq 6 to 500p, ABN Ambro Hoare Govett pushing both stocks. Grand Metropolitan lost 2 to 444p: the market is becoming more convinced that price increases in the spirits sector will stick, but in the case of GrandMet, which owns Pillsbury, the US food company, there is soma unease generally over US food companies where one of the giants, Philip Morris, has cut the price of its cereals.

Property shares were boosted by a change of recommendation on the sector from Merrill Lynch. Tha broker moved its stance from "underweight" to "overweight", saying: "The climate will improve from here on for direct property."

Merrill Lynch favours Land Securities, which jumped 13 to 651p in trade of 4m. British Land, up 20 at 422p on 3.4m dealt, and Hammerson, ahead 9 at 365p on volume of 5.4m.

News of big losses and a passed dividend from German cement giant Philipp Holzmann cut the ground from under RMC, which has a big stake in the German economy and has run up sharply in recent sessions.

Much of the Holzmann debacle was the result of property problems, but the company's underlying message about German construction trends was far from encouraging.

RMC puts out a results statement tomorrow and gets around half of earnings from Germany. The shares tumbled to the bottom of the Footsie rankings, losing 33 at 1060p.

Broker downgrades hit BPB Industries, which has lately been touching base with analysts. HSBC James Capel and Merrill Lynch cut back forecasts. The shares shed 2 to 337p.

Engineers mostly moved up with the market. Cobham added 18 at 549p following solid results and an upbeat appraisal from the group about orders.

Rolls-Royce and Smiths Industries moved ahead as a buzz about next week's analysts' visits to the US ran through the market. R-R rose 2 to 228p and Smiths 5 to 698p.

ERF continued to harden on bid hopes. The shares, which stood at 350p last year, put on 13 at 220p for a three-day advance of around 20 per cent.

Courtaulds fell 10 to 438p on the back of cautious comment from the chemical group's Austrian rival Lenzing on the outlook for the viscose market into the second half.

Rentokil gained 10 to 368p in above average volume of 9.4m shares to push to 217p the value of its share and cash offer for rival support services group BET, 3½ up at 211½p.

Dealings commenced yesterday on the AIM market in shares of Rebus, the newly demerged computer services arm of C.E. Heath, the insurance broker. The stock opened at 88p and progressed to close the session at 97p. C.E. Heath ended at 90p.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Apr 16	Apr 15	Apr 12	Apr 11	Apr 10	Yr ago	†High	†Low
Ordinary Share	2846.3	2824.1	2804.4	2799.7	2802.7	2434.0	2845.3	2698.7
Ord. div. yield	3.97	4.00	3.98	3.98	3.98	4.34	4.06	3.76
P/E ratio net	16.37	16.25	16.85	16.77	16.85	16.57	17.25	15.96
P/E ratio nil	16.13	16.01	16.60	16.52	16.61	16.49	17.03	15.76

Ordinary Share index since compilation: high 2846.3 16/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2831.1	2832.2	2834.2	2843.7	2843.2	2842.4	2841.8	2840.7	2844.9	2845.5	2831.0

	Apr 16	Apr 15	Apr 12	Apr 11	Apr 10	Yr ago
SEAQ bargains	36,890	35,236	33,395	31,018	34,222	20,625
Equity turnover (£m)†	–	1659.3	2579.0	1793.8	2117.2	1041.5
Equity bargains†	–	40,905	38,488	37,650	41,656	32,073
Shares traded (m)†	–	696.6	871.8	712.9	735.4	417.7

†Excluding intra-market business and overseas turnover.

	Apr 16	Apr 15	Apr 12	Apr 11	Apr 10	Yr ago	*High	*Low
FT-SE AIM	1014.40	1005.50	997.50	988.10	988.60	–	1054.82	965.68

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,033	Total Highs	281	Total contracts	89,375
Total Falls	384	Total Lows	18	Calls	60,452
Same	1,357			Puts	28,923

Apr. 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3805.0	3856.0	+38.0	3840.0	3805.0	15063	59458
Sep	3833.0	3846.0	+38.0	3833.0	3833.0	22	2639
Dec	–	3873.0	+38.0	–	–	0	31

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Jun	4456.0	4467.0	+37.0	4456.0	4456.0	3	3594

■ FT-SE 100 INDEX OPTION (LIFFE) (*3824) £10 per full index point

	3650		3700		3750		3800		3850		3900		3950		4000	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Apr	[illegible]															
May	[illegible]															
Jun	[illegible]															
Jul	[illegible]															
Dec†	[illegible]															

Calls 18,513 Puts 8,732

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3675		3725		3775		3825		3875		3925		3975		4025	
Apr	[illegible]															
May	[illegible]															
Jun	[illegible]															
Sep	[illegible]															
Dec†	[illegible]															

Calls 16,895 Puts 2,602 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 16	% chg on day	Apr 15	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (39)	2316.46	-0.8	[illegible]	[illegible]	1.38	–	[illegible]	[illegible]
■ Regional indices								
Africa (13)	[illegible]							
Australasia (8)	[illegible]							
North America (10)	[illegible]							

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FT - SE Actuaries Share Indices — The UK Series

	Apr 16	Day's chge%	Apr 15	Apr 12	Apr 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3825.3	[illegible]									
FT-SE Mid 250	4458.5	[illegible]									
FT-SE Mid 250 ex Inv Trusts	[illegible]										
FT-SE-A 350	1925.7	[illegible]									
FT-SE-A 350 Higher Yield	[illegible]										
FT-SE-A 350 Lower Yield	[illegible]										
FT-SE SmallCap	[illegible]										
FT-SE SmallCap ex Inv Trusts	[illegible]										
FT-SE-A ALL-SHARE	1903.18	[illegible]									

■ FT-SE Actuaries All-Share

	Apr 16	Day's chge%	Apr 15	Apr 12	Apr 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	[illegible]										
12 Extractive Industries(6)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(15)	[illegible]										
20 GEN INDUSTRIALS(277)	[illegible]										
21 Building & Construction(34)	[illegible]										
22 Building Matls & Merchs(29)	[illegible]										
23 Chemicals(25)	[illegible]										
24 Diversified Industrials(20)	[illegible]										
25 Electronic & Elect Equip(35)	[illegible]										
26 Engineering(71)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(25)	[illegible]										
29 Textiles & Apparel(19)	[illegible]										
30 CONSUMER GOODS(90)	[illegible]										
32 Alcoholic Beverages(6)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(13)	[illegible]										
36 Health Care(20)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(264)	[illegible]										
41 Distributors(33)	[illegible]										
42 Leisure & Hotels(23)	[illegible]										
43 Media(45)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(45)	[illegible]										
47 Breweries, Pubs & Rest.(24)	[illegible]										
48 Support Services(54)	[illegible]										
49 Transport(21)	[illegible]										
60 UTILITIES(35)	[illegible]										
62 Electricity(12)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(7)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(686)	[illegible]										
70 FINANCIALS(106)	[illegible]										
71 Banks, Retail(9)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(25)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(21)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(128)	[illegible]										
89 FT-SE-A ALL-SHARE(920)	1903.18	[illegible]									
FT-SE-A Fledgling	[illegible]										
FT-SE-A Fledgling ex Inv Trusts	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 Day's high: [illegible] Day's low: [illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trade are rounded. Source: FT Extel.

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WORLD STOCK MARKETS

INDICES

	Apr 16	Apr 15	Apr 12	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	16765.78	18524.87	18191.56	31/1	15028.01	19/3
Australia							
All Ordinaries(1/1/80)	2258.8	2263.3	2247.2	2323.40	4/3	2187.46	11/3
All Mining(1/1/80)	1083.6	1085.8	1085.8	1086.00	15/4	1004.78	10/1
Austria							
Credit Aktien(30/12/84)	375.74	376.97	374.84	386.96	31/1	352.78	2/1
Traded Index(2/1/91)	1085.72	1094.54	1080.45	1094.98	7/2	975.27	2/1
Belgium							
BEL20(1/1/91)	1734.05	1716.26	1704.09	1765.71	7/3	1574.98	2/1
Brazil							
Bovespa(29/12/83)	(u)	50224.0	50156.0	54169.00	2/2	43801.08	2/1
Canada							
Metals Minls♦(1975)	(u)	5497.66	5470.77	5497.86	15/4	4067.47	18/1
Composite♦(1975)	(u)	5059.03	5021.91	5059.89	14/2	4739.79	15/1
Portfolio§§(4/1/83)	(u)	2456.50	2434.28	2466.57	8/2	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5345.52	5295.92	5894.33	8/1	5215.28	6/4
Denmark							
CopenhagenSE(3/1/83)	394.36	392.77	391.40	394.36	16/4	368.49	2/1
Finland							
HEX General(28/12/90)	1841.60	1839.34	1821.46	1897.16	19/3	1651.87	10/1
France							
SBF 250(31/12/90)	1420.33	1412.25	1408.30	1420.33	16/4	1258.16	2/1
CAC 40(31/12/87)	2087.34	2080.56	2074.74	2087.34	16/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	899.85	901.41	891.70	901.41	15/4	818.86	2/1
Commerzbank(1/12/53)	2588.5	2592.5	2568.2	2592.58	15/4	2370.20	2/1
DAX‡(30/12/87)	2538.38	2545.94	2511.78	2545.94	15/4	2284.86	2/1
Greece							
Athens SE(31/12/80)	963.46	(c)	(c)	1017.90	4/3	901.34	3/1
Hong Kong							
Hang Seng(31/7/64)	11032.98	10949.57	10849.80	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3590.54	3549.68	3487.51	3590.54	16/4	2828.68	25/1
Indonesia							
Jakarta Comp.(10/8/82)	619.26	612.99	607.05	619.28	15/4	512.46	2/1
Ireland							
ISEQ Overall(4/1/88)	2475.12	2452.59	2425.58	2475.12	16/4	2234.81	2/1
Italy							
Banca Comm Ital(1972)	617.35	620.10	611.11	638.25	9/2	572.21	27/3
MIB General(2/1/96)	1041.0	1051.0	1036.0	1082.00	9/2	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21858.17	21863.04	21560.47	21863.04	15/4	19734.70	13/3
Nikkei 300(1/10/82)	310.97	311.80	310.20	311.80	15/4	284.46	11/3
Topix(4/1/68)	1679.33	1683.01	1672.89	1683.01	15/4	1524.12	13/3
2nd Section(4/1/68)	2189.87	2188.49	2170.58	2189.87	16/4	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1167.37	1160.48	1150.24	1167.37	16/4	983.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3204.69	3174.85	3204.69	15/4	2736.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	607.3	607.5	601.3	607.50	16/4	539.50	2/1
CBS All Shr(End 83)	366.0	367.2	363.5	366.00	15/4	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2151.03	2148.33	2137.60	2208.05	4/1	2044.71	24/1
Norway							
Oslo SE(Ind)(2/1/83)	1386.30	1398.82	1386.88	1398.82	15/4	1259.68	30/1
Philippines							
Manila Comp(2/1/85)	3016.83	3008.50	2987.48	3016.83	16/4	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1792.90	1792.81	1788.75	1792.90	16/4	1682.81	2/1
Singapore							
SES All-S'pore(2/4/75)	590.14	588.55	586.48	610.37	5/2	553.89	2/1
South Africa							
JSE Gold(28/9/78)	1857.5♥	1817.3	1827.2	1917.98	7/2	1348.40	2/1
JSE Ind.(28/9/78)	8258.3♥	8122.5	8061.0	8739.30	25/1	8088.40	2/1
South Korea							
KoreaCompEx**(4/1/80)	907.73	908.09†	888.75	908.14	15/4	838.87	13/3
Spain							
Madrid SE(30/12/85)	349.61	349.43	347.02	349.61	16/4	323.75	11/1
Sweden							
AffarsvardnGen(1/2/37)	1887.4	1898.4	1874.5	1927.00	19/3	1706.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1743.07	(c)	1722.36	1764.99	27/3	1618.19	17/1
SBC General(1/4/87)	1232.23	(c)	1222.10	1250.57	25/3	1114.47	28/1
Taiwan							
Weighted Pr.**(30/6/66)	5938.22	6122.48	5945.06	6122.48	15/4	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1351.69	(c)	(c)	1415.04	6/2	1247.78	13/3
Turkey							
Istanbul Comp.(Jan 1986)	68119.3	68042.8	70070.5	72088.89	8/4	38779.30	2/1
WORLD							
MS Capital Int(1/1/70)	763.0*	761.2	755.9	768.40	5/4	725.80	16/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1652.07	1651.24	1636.24	1652.07	16/4	1504.40	11/1
Euro Top-100(26/6/90)	1434.62	1428.23	1419.31	1434.62	16/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	380.45	377.52	382.92	19/2	344.19	2/1
ING Brngs Emrg(7/1/92)	161.56	160.77	158.86	162.72	5/2	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index) (Apr 4)							
Apr	2082.0	2102.0	+22.0	2102.5	2077.0	20,767	33,664
May	2073.0	2081.5	+22.0	2086.0	2066.5	2,794	5,460
DAX							
Jun	2539.0	2552.0	+9.0	2554.5	2538.5	15,578	-
Sep	2565.0	2572.0	+9.0	2573.0	2561.0	171	-
OMX							
Apr	1462.00	1462.00	-19.00	1484.00	1461.00	3,311	16,009
May	1471.75	1449.00	-19.50	1471.75	1449.00	1,056	2,863
SOFFEX							
Apr	3595.1	3598.0	+25.0	3603.0	3582.0	8,034	17,922
May	3586.0	3582.53	+36.5	3596.0	3565.0	2,814	4,487

** Sat Apr 13: Taiwan Weighted Price 6070.83; Korea Comp Ex 895.57. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 16 - 2547.32 +6.53

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bo… ♦ The DJ Ind. index theoretical day's highs and lows are … stock; whereas the actual day's highs and lows (supplied b… during the day. (The figures in brackets are previous day's…

TOKYO - MOST ACTIVE STOCKS: Tuesday, April 16, 1996

	Stocks Traded	Closing Prices	Change on day
Mazda Motor	17.8m	510	-35
NKK Corp	14.8m	344	+1
Takasaki Paper	10.5m	506	+16
Sumitomo Mtl Ind	8.9m	340	-8
Nippon Stl Corp	8.1m	379	-8
UBE Industries	7.8m	448	+3
Kureha Chem Ind	7.1m	630	-30
Janome Sewing	6.8m	372	-8
Sansui Electric	6.3m	291	+7
Sanyo Electric	5.7m	648	+9

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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4 pm close April 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22⅛	19⅛	AAR	0.48	2.4	21	232	20⅛	19⅞	20	+⅛
44¾	38¼	AMP	1.00	2.3	21	2310	42¾	42	42¾	+⅜
93¾	68	ANR			38	9089	91⅞	88¾	91⅞	+3
50½	37⅞	ASA	2.00	4.4	26	588	46½	45⅛	45¼	-¼
44¾	38⅛	AbbtL	0.60	2.3	16	7581	41⅞	40¾	41	-¼
17¼	13⅞	AbitibiPr	0.40	2.7	7	2242	14¾	14⅜	14¾	+½
35⅛	27	ABM Ind x	0.70	2.1	17	62	33⅝	33⅜	33⅜	-⅛
15½	13⅞	Acptncein			53	771	15⅛	15	15	
50⅜	37¼	ACE Ltd	0.56	1.3	10	5801	44⅜	44	44¼	-⅛
[illegible]										
47½	39¼	Baxter	1.13	2.6	10	15807	43⅝	42⅞	43¼	-¼
43⅞	26	BayNwks			25	30307	28⅝	27¼	28⅛	+1½
29⅞	26½	Bay St Gas	1.50	5.5	13	32	27⅛	27⅛	27¼	
40⅞	23¼	BEN			0	968	25	23⅞	24⅛	+⅛
22¼	20¼	Bd Tr 1838 x	1.56	7.6		27	20⅝	20⅜	20½	
8½	7¾	BEA IncFd x	0.72	8.0		273	8¼	8	8⅛	+⅛
9⅞	8½	Bea Strat x	0.81	9.4		17	8¾	8⅝	8⅝	
25⅝	19¼	Bear Stns	0.60	2.6	8	4981	23⅛	22½	23	-½
44½	41	BearSPIA	2.75	6.2		2100	44¼	44¼	44¼	
33¾	24	Bearings	0.56	1.7	16	569	u33¾	32	32¾	+¾
41⅛	33½	Beckman In	0.52	1.4	21	288	37¼	36⅞	37⅛	+⅛
89¼	73⅝	BectnD	0.92	1.2	21	1960	80¼	79½	79½	-¼

Continued on next page

4 pm close April 16

NYSE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
87¼	65⅞	Schlmb	1.50	1.8	31	9872	85¾	83⅞	84¼	+1½
18¼	7⅞	Scotr			11	1579	8¾	8½	8⅝	
27⅞	16⅝	Schwab(C)	0.16	0.7	22	11226	23⅞	21⅞	22⅛	-1⅛
28⅞	22¼	SchwMaud			18	550	27⅞	27⅝	27⅝	
19½	13¼	Scott	8.00	0.3	36	1400	17⅞	17	17½	+⅛
18⅞	17	Scotsman	0.10	0.6	11	97	18⅛	18	18⅛	+⅛
43½	38⅛	Scripps	0.52	1.2	25	398	42⅛	41¾	41⅞	+⅛
18⅞	14½	ScuddrNAsF	0.02	0.1		30	18⅛	15⅞	18⅛	+⅛
12⅞	11	ScuddrNEsF	0.16	1.3		322	u12⅛	12	12⅞	+⅛
18	16	SeaCnB	0.70	4.0	2	405	17⅞	17¼	17⅛	
16	15⅛	SeaC1.4625	1.46	9.7		2	15⅛	d15⅛	16⅛	
67¾	44¾	S'gam			11	6401	61⅞	59¾	61	+2
39⅞	31¾	Seagon	0.60	1.0	22	5447	33⅞	32½	33¼	+½
24⅛	17⅛	Seagull En			170	4355	d24⅛	23⅞	23⅞	+1
35⅛	26	Sealed Air			27	1805	34¼	33¾	33⅞	+⅛
53⅞	38⅛	SearsR	0.92	1.7	14	10810	u53⅛	52	53⅛	+½
22⅛	19¾	SecCapSBI	1.24	5.7	25	996	21⅛	21⅞	21⅛	+⅛
13	12	Seligm Sel	0.84	6.9		88	12⅛	d12	12⅛	+⅛
23¼	13⅞	Sensormat	0.22	1.0	80	2812	22⅝	22⅜	22½	
36⅝	29½	SequaA	0.60	1.7	80	107	24⅞	34⅝	34¾	+¾
41⅛	39	SequaB	0.50	1.2	71	3	40¾	40¾	40¾	
52	39⅞	ServCp	0.48	1.0	27	1980	48⅝	48⅝	49	
33½	29½	SvMstr	0.96	3.0	1x	104	32	31¼	31¼	
6	4⅞	ServMerch			18	944	5⅛	5¼	5¼	-⅛
41⅛	29½	SGSThm			10	5485	40½	39¾	40⅞	+1
15⅛	10⅝	Shaw Ind	0.30	2.6	24	3054	11⅛	11¼	11½	+⅛
12⅞	10⅝	Shelby Wil	0.28	2.5	18	26	11¼	11⅛	11¼	

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- V -

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AMEX COMPOSITE PRICES

4 pm close April 16

NASDAQ NATIONAL MARKET

4 pm close April 16

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AMERICA

Intel figures give impetus to Nasdaq

Wall Street

A strong earnings report late on Monday from Intel helped technology shares to jump in early trading yesterday, while other sectors posted more modest gains in midsession trading, *writes Lisa Bransten in New York.*

In the early afternoon, the Nasdaq composite, which is weighted towards the technology sector, was on track to set a new closing high with a gain of 10.87 at 1,121.31. The Pacific Stock Exchange technology index added 1.5 per cent.

Intel's earnings of $1.02 a share – compared with estimates closer to 98 cents a share – helped to dispel some of the worries about the semiconductor sector that have gripped the market since late last year. In early trading Intel's shares were up $3⅞ or 6 per cent at $64.

Other rising chip companies included Texas Instruments, which rose $1 to $53¼, LSI Logic, $1¼ firmer at $32¼, Novellus Systems, $3¾ stronger at $48⅞, and Lam Research, up $2⅞ at $38¾. Lam posted third-quarter earnings 4 cents a share ahead of estimates at $1.28 a share early yesterday morning.

Sun Microsystems, a maker of computer work stations, also produced stronger than expected earnings late on Monday. Its shares added $1⅛ at $50⅞.

The bond market slipped in early trading, helping to hold other sectors to more modest gains.

At 1 pm the Dow Jones Industrial Average was up 20.59 at 5,613.51, while the Standard & Poor's 500 added 2.20 at 644.69 and the American Stock Exchange composite rose 2.98 to 579.09. Volume on the New York Stock Exchange came to 259m shares.

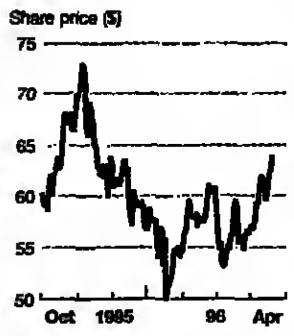
Even outside the technology sector, much of yesterday's activity was driven by quarterly earnings reports. Eastman Kodak jumped $3⅞ or 5 per cent to $73⅞ after reporting first-quarter earnings of 80 cents a share, 5 cents a share ahead of the mean Wall Street estimate.

Chrysler added $⅞ at $63⅞ after posting quarterly earnings of $2.61 a share, 16 cents a share ahead of the mean estimate. Johnson & Johnson moved ahead $1⅞ to $91⅞ after reporting profits of $1.19 per share, 2 cents a share better than the mean estimate.

Meanwhile, Genentech slipped $⅞ to $52⅞ after falling 3 cents short of analysts' estimates with earnings of 31 cents a share. And Charles Schwab – which announced profits 2 cents a share below the mean estimate of 28 cents a share – dipped $⅞ to $23.

Intel

Share price ($)



Source: FT Extel

Canada

Toronto was in record setting territory at midsession as analysts reported institutional mutual fund money flooding into the market.

The TSE-300 composite index was 23.47 higher by noon at 5,082.50, surpassing the intraday record of 5,066.8 set on February 15 and the previous closing high of 5,059.69, seen on February 14.

Volume was a heavy 62m shares.

Black Swan Gold Mines, a penny stock, was very heavily traded. It jumped 60 cents to C$1.03 in volume of 30.2m shares on news of positive assay results from a Brazilian mine.

Forestry products' stocks were in demand. Repap Enterprises rose 65 cents to C$6.20 and Avenor C$1.60 to C$22.55.

Mexico takes profits

Mexico City see-sawed at the opening on expectations of a decline in interest rates at the *Cetes* auction to be held later in the day. But by midsession the IPC index was off 23.66 at 3,181.03, which was attributed to profit-taking after the market reached a record high on Monday.

Brokers remarked that there was a feeling that rates could be reduced by up to 250 basis points.

SAO PAULO trod water as investors awaited a solution to the impasse in pension reform. The social security reform vote was put on hold after the Supreme Tribunal Federal approved an injunction suspending the congressional debate. The Bovespa index was off 244 at 49,980 by midday.

Ailing rand helps S Africa

Johannesburg shares ended a bullish day near their best levels as the ailing rand attracted foreign investors and local buyers jumped on the bandwagon.

The rand has fallen by about 17 per cent since the middle of February, sparking a flight of foreign investors from the market. However, dealers said yesterday that a number of foreign funds, followed by local investors, had returned after weeks of absence.

Gold shares, whose fortunes are more directly linked to bullion's movements and the value of the rand, were supported, in spite of a dull bullion price, by strong gold mining quarterly results and perceptions that the rand would not recover soon.

The all-share index finished 116.1 stronger at 6,815.5. Industrials rose 135.8 to 8,258.3 and golds picked up 40.2 to 1,857.5.

Anglo American jumped to a record high of R280 before finishing R14 up at R277. De Beers rose R3 to R133.50 and Rembrandt R1.65 to R35.40.

EUROPE

Holzmann down as Frankfurt hits new record

In spite of low trading volume, FRANKFURT set a new all-time high in late post-bourse trade, helped by firm bund futures, but dealers felt that a consolidation phase was now in order.

The IBIS Dax index reached an intra-day high of 2,548.59 in late trade, narrowly beating the previous all-time peak of 2,548.26. It then eased back to close at 2,547.32, a gain of 6.53. Earlier the Dax had finished at 2,536.28.

Philipp Holzmann went against the trend, dropping DM34 to DM510 on news that it is to omit its dividend after having promised a payout earlier this year.

BASF, up an Ibis DM3.30 to DM426, was lifted by speculation about share buybacks after the company had said on Monday that it would be keen to buy back its stock if German legislation were changed.

Henkel was another chemical to do well, up DM18.30 to DM588.30 on positive forecasts.

PARIS was encouraged by a rise in the bond market, and hopes for another easing in domestic interest rates as the Bank of France made a technical cut in the call money rate.

The CAC-40 index moved forward 16.76 to 2,097.32 in turnover of FFr5bn.

Crédit Foncier de France was active after local newspapers suggested that the government was trying to persuade a financial institution into buying out the troubled bank group. This would recapitalise CFF with some FFr12bn to FFr15bn. The stock finished FFr3.15 higher at FFr62.65.

Michelin, up FFr4.70 to FFr249.70, was helped by good first-quarter results from Goodyear, which reported that sales growth in Europe and Asia had offset lower sales in its home US market. Bouygues went against the trend with a loss of FFr1 to FFr512 as it announced that it would launch the country's third mobile telephone network at the end of May.

ZURICH was firmer in response to the stronger dollar and still basking in Roche's good first-quarter results. However, activity was muted as investors were distracted by the UBS annual meeting being broadcast live on local television. The SMI index rose 17.9 to 3,607.5.

UBS bearers recovered from a low of SFr1,260 to close a net SFr5 weaker at SFr1,269 after the bank announced during its annual meeting that first-quarter net profits and cashflow were clearly higher than a year earlier.

SBC, still benefiting from switching from UBS and CS Holding, rose SFr6 to SFr447.

Among cyclicals helped by the weaker Swiss franc, BBC appreciated SFr9 to SFr1,453, Sulzer rose SFr10 to SFr800 and Alusuisse moved ahead SFr34 to SFr1,425.

AMSTERDAM settled back slightly as profit-taking emerged. The AEX index slipped 0.77 to 548.23, after 550.49 earlier in the day.

MILAN succumbed to nerves ahead of Sunday's general elections, and with much of the day's interest focused on Olivetti ahead of the release of its 1995 results after the market closed.

The Comit index fell 6.36 to 613.75, while the real-time Mibtel index dipped 32 to 9,780. Olivetti was flat at L847, in volume of 19.6m shares, with its announcement of a consolidated net loss of L1,598bn coming in at the top of analysts' estimates.

BRUSSELS finished 1 per cent higher, driven by sharp advances in Delhaize, the retailer, and CMB, the shipper. The Bel-20 index climbed 17.79 to close at the day's best of 1,734.05.

Delhaize jumped BFr38 to BFr1,476, lifted by strong first-quarter results from Food Lion, its US subsidiary, which contributes more than half of its earnings. CMB, the diversified shipping group, leapt 7.1 per cent after a newspaper report bolstering its international profile. The shares rose BFr180 to BFr2,730 as analysts said the stock was being "discovered by foreign investors".

STOCKHOLM was dragged down by a late fall in Ericsson after the company reported that its order intake grew by 11 per cent in the first quarter of 1996, while invoiced sales increased by 14 per cent.

The Affärsvärlden general index relinquished 9.0 at 1,887.4 as Ericsson retreated SKr5.5 or 4 per cent to finish at SKr130.

OSLO ran into profit-taking after eight consecutive sessions of advances, and the all-share index finished 4.58 weaker at 796.96. Analysts noted that an easing in oil prices was the catalyst for the pullback.

Orkla A was up NKr2.50 at NKr324 in a correction from recent weakness, helped by news of a brewing joint venture in Russia.

VIENNA gave up strong early gains to finish lower and the ATX index turned back from a high of 1,099.4 to close 8.82 down at 1,085.72.

Shares in Austria Mikro Systems, the chip producer, plunged 9.7 per cent after the company announced a set of 1995 earnings that came in below market expectations.

The shares ended Sch150 weaker at Sch1,400.

VA Technologie bounced to a high of 1,406 after the group reported a 37 per cent increase in 1995 net profits, in spite of lower sales, before easing back to finish Sch5 ahead on the day at Sch1,390.

BUDAPEST extended Monday's gains as the BUX index pushed on to a new closing high. The index ended 37.21 up at 2,529.42, with foreign investors playing a strong part in trading activity. Turnover jumped to Ft914.7m from Monday's Ft641.8m.

LJUBLJANA sank 8.25 per cent as uncertainty surrounded the country's largest mutual fund, Proficia Dadas, *Reuters reports*. The securities market agency recently started proceedings to prohibit the fund from trading and brokers said the market's negative sentiment could continue until fresh information concerning Proficia Dadas became available. The SBI index incorporating seven shares fell 78.56 to 1,147.91 as turnover expanded to 101.7m tolars from 56.6m.

TEL AVIV was encouraged by the release of a lower than expected March consumer price index and equities moved up as fears receded about the prospects for a rise in interest rates in the short term. The Mishtanim index gained 2.2 or 1.3 per cent at 191.35 on turnover of only Shk51m, against Monday's Shk79m.

ISTANBUL surrendered nearly 3 per cent in heavy sales that followed the Treasury's TL1,106bn sale at higher yields in its 210-day Treasury bill auction. The composite index fell 1,923.50 to end at 66,119.37, after rebounding from a low of 65,640.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Apr 16	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1651.56	1652.67	1650.82	1650.38	1650.59	1651.12	1651.35	1652.57
FT-SE Eurotrack 200	1712.61	1714.01	1713.64	1711.18	1711.56	1713.02	1713.12	1713.15
	Apr 15	Apr 12	Apr 11	Apr 10	Apr 9			
FT-SE Eurotrack 100	1651.24	1636.25	1640.35	1643.23	1632.93			
FT-SE Eurotrack 200	1703.80	1694.76	1696.04	1701.29	1694.72			

Base value 1000 (26/10/90). Highday: 100 - 1652.89; 200 - 1714.25 Lowday: 100 - 1649.98 200 - 1710.78. † Partial.

ASIA PACIFIC

Nikkei easier on profit-taking as Taipei drops 3%

Tokyo

Selective demand absorbed much of the day's profit-taking pressure from investment trust funds, but the Nikkei average closed *marginally* lower, led by large-capital steels and shipbuilding stocks, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 lost 14.87 at 21,868.17 after touching 21,866.36 and 22,077.87. Selling pressure from domestic institutions heightened once the index rose above 22,000, but foreign investors and domestic pension funds continued to support the market through purchases of blue chips.

Volume was 725m shares, against 581.6m. The Topix index of all first section stocks shed 3.68 to 1,679.33 and the Nikkei 300 lost 0.63 at 310.97. Declines led rises by 608 to 475, with 150 issues unchanged.

In London the ISE/Nikkei 50 index gained 1.20 at 1,453.37.

A rise in overnight trading on the futures markets in *Chicago prompted arbitrage buying*. Foreign investors placed buy orders across the board, but profit-taking by domestic institutions and index-linked selling by investment trust funds cooled investor confidence towards the close.

A strong earnings announcement by Intel, of the US, supported high-technology issues. Sharp rose Y50 to Y1,800 and Fujitsu Y20 to Y1,060.

Mazda, the most active issue of the day, dropped Y35 to Y510 on profit-taking as expectations that its rescue by Ford would help earnings eased. Other car makers were mixed, with Toyota Motor down Y10 to Y2,340 and Honda Motor up Y10 to Y2,300.

Nippon Telegraph and Telephone rose Y14,000 to Y820,000 on active buying by overseas investors who regarded the stock as undervalued. The rally followed an upgrade by Nikko Research Centre of the issue's rating from neutral to bullish. Other telecom stocks were also higher, with DDI up Y7,000 to Y873,000.

Profit-taking depressed large capital steels and shipbuilders. Nippon Steel fell Y6 to Y379 and Kawasaki Steel lost Y8 to Y388. Mitsubishi Heavy Industries declined Y14 to Y935 and Mitsui Engineering and Shipbuilding dipped Y8 to Y345.

Fisheries, which were recently bought as leggards, retreated. Nippon Suisan fell Y30 to Y482 and Maruha was down Y21 to Y424.

Reports that the country's leading machine tool makers received a 28 per cent rise in orders last business year prompted buying in the sector. Tsugami firmed Y10 to Y589 and Okuma Y50 to Y1,220.

In Osaka, the OSE average moved up 32.81 to 23,288.87 in volume of 129.5m shares.

Roundup

Profit-taking left *TAIPEI* 3 per cent down, but analysts forecast that the index would quickly recover and move to new heights.

The weighted index, which had gained almost 1,000 points in the *first half* of April, plunged 3 per cent or 184.24 to 5,938.22.

Brokers attributed the drop to selling by foreign investors, but said it was a technical correction.

Analysts felt that the market would be boosted by increasing foreign investments if Morgan Stanley included Taiwan in its worldwide indices. Inclusion would prompt international fund managers to increase portfolio weightings for Taiwan to mirror the market's weighting in the MS index.

Brokers added that yesterday's fall was triggered partly by the government's decision to allow its stock stabilisation fund to begin adjusting its shareholdings.

The fund, in operation since February 23, had bought as much as T$70.2bn ($2.6bn) worth of shares by early April to support the market at a time when Taiwan's relationship with China was tense.

BANGKOK improved by 1.5 per cent as the recently tight liquidity situation eased in the money market. The SET index rose 20.67 to 1,351.69 on Bt9.3bn turnover.

Brokers said liquidity in the money market was high on a possible re-entry of fresh foreign funds into Thailand after investing in neighbouring markets. Brokers observed that buying also resulted from expectations that first-quarter results from the banks and financials could be better than in 1995.

Bangkok Bank topped the list of most active stocks in terms of value and advanced Bt6 to Bt256.

HONG KONG closed off steep early highs, as profit-taking kicked in above the 11,000 level.

The Hang Seng index was finally 83.41 up at 11,032.96, off an early 11,083.76, in turnover that picked up to HK$4.6bn.

Brokers noted that interest rate-sensitive banks and property counters strengthened on US bond yields' dip overnight. HSBC put on HK$1 at HK$117.50, as did its Hang *Seng* Bank unit to HK$80. *Sun* Hung Kai Properties rose HK$1.25 to HK$74.50, Cheung Kong firmed 25 cents to HK$56 and Henderson Land gained 50 cents at HK$56.

SINGAPORE saw demand from foreign funds for index-linked stocks, although volume was bolstered by trade in Malaysian over the counter shares.

The Straits Times Industrial index rose 17.05 through technical resistance of 3,400 to finish at 2,401.40, led by Keppel Corp, up 40 cents at S$13.

KUALA LUMPUR was taken higher by further buying of blue chips, but the broader market was mixed as investors booked profits, particularly on speculative second board issues.

The composite index gained 6.89 at 1,167.37, while the second board index closed 5.78 or 1.1 per cent down at 502.78 after hitting a new record high of 515.18 in early trade. It has jumped almost 200 points since the start of the year.

SEOUL closed slightly lower on a technical correction after three days of sharp rises, with the composite index off 0.36 at 907.73. However, volume remained strong, totalling 46.3m shares, although down from Monday's 48.1m.

Analysts noted that a call by President Kim Young-sam and US President Bill Clinton for four-way talks between North and South Korea, China and the US to revive peace efforts on the peninsula could help sentiment.

BOMBAY was boosted by foreign demand for blue chips, and the BSE-30 index finished 46.88 or 1.3 per cent ahead at 3,590.54. Analysts noted that the close of the weekly account on the national stock exchange had also triggered heavy short-covering activity.

JAKARTA saw the focus settle on Japfa, a feedmill company. The composite index firmed 6.3 points or 1.02 per cent to 619.26. Japfa forged ahead Rp275 or 15.5 per cent to Rp2,050 on reports of a link-up with a foreign company.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY APRIL 15 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY APRIL 12 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	205.73	0.9	202.28	140.94	161.55	173.19	0.9	4.01	203.97	200.10	140.11	159.45	171.64	205.73	162.68	173.52
Austria (25)	184.07	0.8	180.99	126.10	144.54	144.36	1.2	1.57	182.68	179.22	125.49	142.81	142.65	199.26	168.11	185.83
Belgium (33)	208.84	-0.1	205.34	143.06	163.98	159.77	0.4	4.09	209.05	205.08	143.61	163.43	159.15	215.81	186.06	188.79
Brazil (28)	153.85	0.0	151.27	105.39	120.81	280.30	0.0	2.59	153.85	150.93	105.68	120.27	280.38	170.25	109.87	109.87
Canada (99)	160.90	0.9	158.20	110.22	126.34	158.02	0.8	2.37	159.48	156.45	109.55	124.67	156.82	160.90	134.14	136.51
Denmark (30)	296.01	0.3	291.06	202.78	232.44	234.74	0.8	1.92	295.07	289.47	202.69	230.67	232.90	305.17	261.94	261.94
Finland (24)	175.87	0.1	172.93	120.48	138.10	174.75	0.7	2.64	175.78	172.44	120.75	137.41	173.56	276.11	171.73	183.63
France (97)	193.66	-0.2	190.63	132.82	152.24	155.86	0.2	3.03	194.18	190.50	133.40	151.81	155.49	196.66	167.70	161.78
Germany (60)	172.72	0.7	169.83	118.32	135.63	135.63	1.2	1.84	171.46	168.20	117.78	134.04	134.04	174.38	149.49	149.61
Hong Kong (58)	430.13	0.7	422.92	294.66	337.75	427.13	0.7	3.30	427.23	419.13	293.49	333.99	424.16	451.19	323.87	345.25
Ireland (16)	267.40	1.0	262.92	183.18	209.97	242.08	1.2	3.43	264.72	259.70	181.85	206.95	239.17	267.61	220.31	222.89
Italy (59)	75.98	0.3	74.71	52.05	59.66	89.20	0.2	2.17	75.75	74.32	52.04	59.22	88.99	82.71	67.22	70.49
Japan (481)	155.74	0.9	153.13	106.69	122.30	108.69	0.6	0.71	154.39	151.46	106.06	120.70	108.06	164.82	137.75	155.47
Malaysia (107)	561.67	1.0	552.26	384.77	441.04	543.28	0.8	1.61	556.02	545.48	381.95	434.67	539.03	561.96	425.77	487.54
Mexico (18)	1259.57	1.5	1238.46	862.87	989.06	10296.21	1.2	1.35	1241.44	1217.88	852.80	970.83	10173.16	1259.57	791.99	896.40
Netherland (19)	291.19	0.4	286.32	199.48	228.66	224.41	1.0	3.14	289.94	284.44	199.17	226.66	222.28	291.80	237.16	238.01
New Zealand (15)	81.73	0.9	80.36	55.99	64.18	63.66	0.7	4.27	81.03	79.49	55.66	63.34	63.56	85.49	76.26	81.67
Norway (33)	244.12	0.0	240.03	167.24	191.69	215.94	0.4	2.42	244.15	239.52	167.72	190.87	215.18	244.15	215.04	216.84
Singapore (44)	442.37	0.2	434.96	303.05	347.37	287.65	0.3	1.32	441.44	433.06	303.25	345.10	287.04	465.21	355.81	364.43
South Africa (45)	362.44	-1.0	356.37	248.29	284.60	333.91	0.7	2.53	366.27	359.32	251.61	286.33	331.63	437.76	338.81	344.15
Spain (37)	172.97	0.3	170.07	118.49	135.82	165.13	0.7	3.35	172.38	169.11	118.42	134.76	164.04	175.88	134.79	136.07
Sweden (48)	337.73	0.5	332.08	231.36	265.20	337.31	1.1	2.36	335.58	329.21	230.53	262.34	333.49	352.28	241.23	248.07
Switzerland (39)	238.25	-0.6	234.26	163.21	187.08	181.72	0.0	1.56	239.65	235.11	164.63	187.35	181.72	252.34	182.77	182.77
Thailand (46)	183.40	0.0	180.33	125.64	144.01	180.23	0.0	1.81	183.44	179.95	126.01	143.40	180.23	193.95	134.53	138.28
United Kingdom (204)	231.46	0.2	227.59	158.56	181.75	227.59	0.5	4.02	230.93	226.55	158.64	180.53	226.55	235.50	207.42	206.30
USA (626)	261.69	0.9	257.31	179.27	205.49	261.69	0.9	2.21	259.44	254.52	178.22	202.82	259.44	269.11	206.41	208.11
Americas (773)	239.26	0.9	235.25	163.90	187.87	201.05	0.9	2.21	237.20	232.70	162.94	185.43	199.33	245.54	189.06	190.44
Europe (724)	207.39	0.2	203.91	142.07	162.85	182.58	0.6	3.01	206.97	203.04	142.16	161.80	181.55	209.03	180.30	180.34
Nordic (135)	289.57	0.5	284.72	198.37	227.38	253.64	0.9	2.36	288.28	282.81	198.04	225.37	251.26	297.48	233.21	234.47
Pacific Basin (833)	169.04	0.5	166.21	115.80	132.73	118.15	0.8	1.14	167.62	164.44	115.15	131.04	117.43	171.87	148.86	163.60
Euro-Pacific (1557)	184.91	0.5	181.81	126.67	145.20	142.62	0.6	2.02	183.61	180.42	126.34	143.77	141.78	185.05	166.51	170.47
North America (727)	255.42	0.9	251.14	174.98	200.57	254.69	0.8	2.21	253.22	248.41	173.95	197.95	252.60	262.26	202.03	203.68
Europe Ex. UK (520)	189.21	0.2	186.04	129.62	148.57	156.49	0.6	2.46	188.86	185.27	129.73	147.64	155.53	190.78	161.40	161.40
Pacific Ex. Japan (352)	292.35	0.7	287.45	200.27	229.56	252.74	0.7	2.94	290.24	284.73	199.38	226.90	250.98	293.56	237.71	244.20
World Ex. US (1747)	186.07	0.5	182.95	127.47	146.11	146.84	0.8	2.03	185.10	181.58	127.15	144.70	145.97	186.17	167.36	170.76
World Ex. UK (2171)	206.97	0.7	203.50	141.78	162.52	175.15	0.7	1.92	205.50	201.60	141.17	160.65	173.87	209.07	179.23	179.34
World Ex. Japan (1894)	238.99	0.6	234.98	163.72	187.66	226.59	0.8	2.53	237.54	233.04	163.18	185.70	224.90	242.39	197.10	197.77
The World Index (2375)	209.17	0.7	205.67	143.29	164.25	179.92	0.7	2.11	207.78	203.84	142.73	162.43	178.64	211.22	181.82	181.89

PLEASE NOTE: Amendments to indices 2/4/96 through to 12/4/96 applied to certain regional indices and The World Index. For recalculated figures please contact FT-SE International (Fax no: 0171 448 1834). Latest prices were unavailable for this edition. Markets closed 15/4/96: Switzerland and Thailand.

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